

SEPTEMBER 1978

# Nation's Business

the business advocate magazine

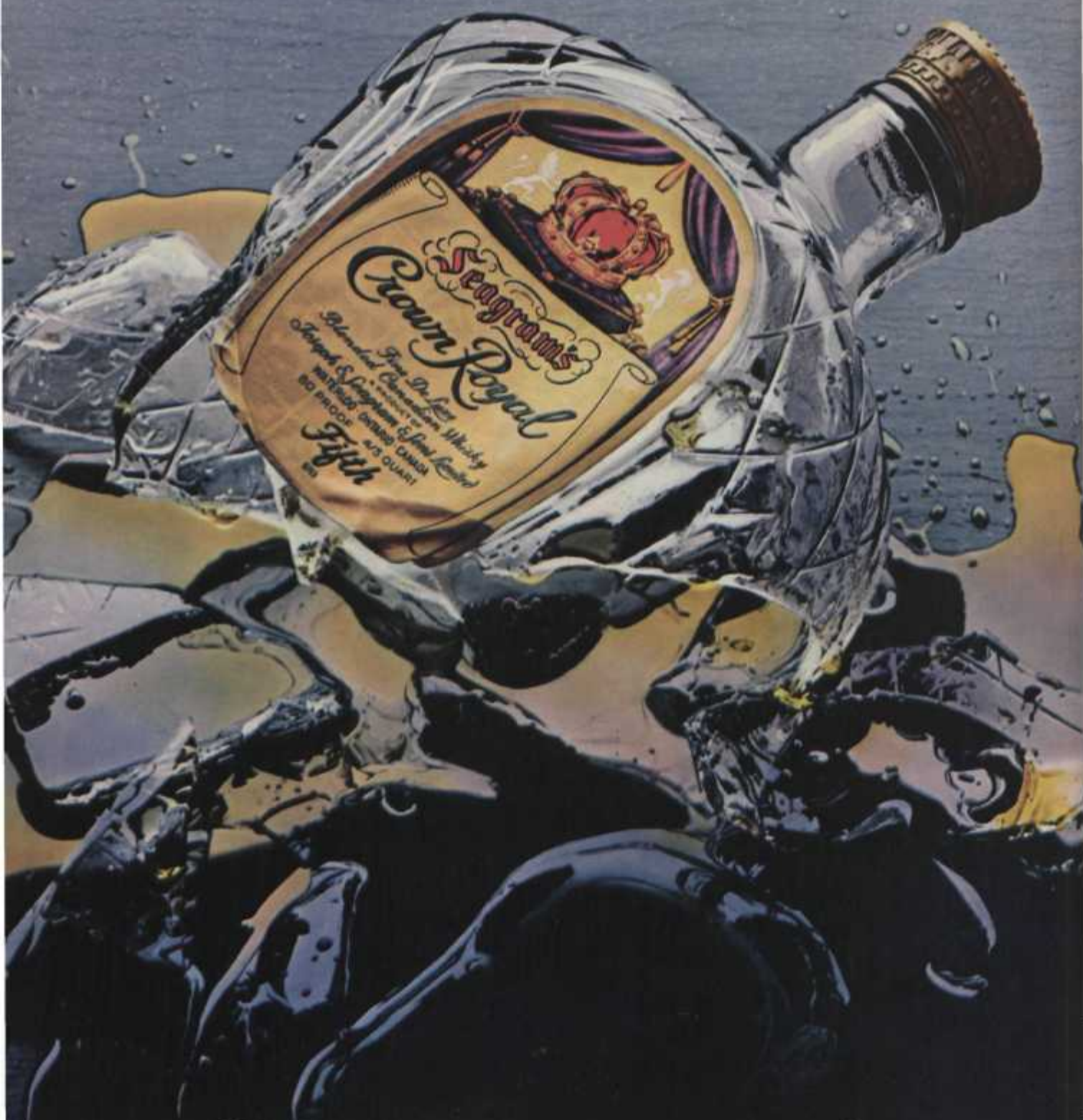
circulation at all-time high—1,170,000



# SMALL BUSINESS



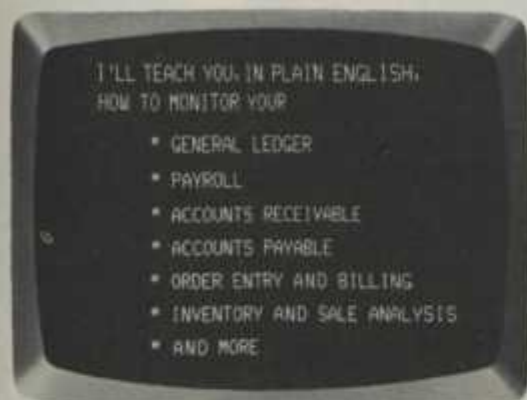




Have you ever seen a grown man cry?



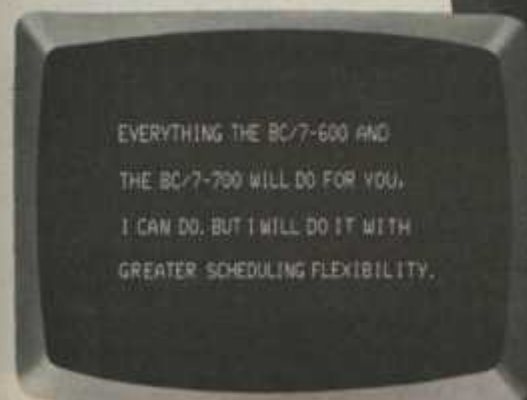
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lished new offices, despite the huge capital outlays, but there were New York State banking regulations permitting them to add only one per year.

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# Nation's Business

VOLUME 66 • NUMBER 9 • SEPTEMBER 1978

Nation's Business is the business advocate magazine leading the effort to strengthen the private enterprise system to advance human progress.

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# Why Bob Ryerse uses a Pitney Bowes postage meter to mail as few as five letters a day.

For 25 years now, the people of Simcoe, Ontario have been buying their flowers from Bob Ryerse at Ryerse Brothers Flowers on Norfolk Street, North.

The place is a landmark with its breathtaking bloom of azaleas and geraniums planted around the grounds every spring. Bob runs the business with his wife Barb and their teenage daughter Shelley, who helps out after school.

When Bob and Barb aren't taking care of their customers, they're taking care of their outgoing mail. Correspondence, statements and invoices—it's all essential and it all has to get out. As small as the flower shop is, Bob still found plenty of room to misplace or lose his stamps.

So just about five years ago, Bob and Barb got themselves a Pitney Bowes Touchmatic® postage meter mailing machine.

"Today getting the mail out every day is an easy job," says Bob. "My Touchmatic not only meters stamps and moistens the envelopes fast, but it even keeps an automatic record of what I've spent on postage for the year."

Bob also likes the way the meter stamp can speed his mail through the post office faster, since it's already been postmarked, dated and cancelled.

"Best of all," concludes Bob, "I always have the right denomination."



If you're beginning to think that your business could benefit from the convenience of a Pitney Bowes Mailing System, fill out the coupon and mail it to us, or call toll, free any time 800-243-5000. (In Connecticut 1-800-882-5577.)

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# The Nation's Business WASHINGTON LETTER

► FROM AROUND THE COUNTRY, business people are speaking out in the fight over the fiscal 1979 budget.

From Florida, Georgia, Illinois, Wisconsin, Nebraska, Indiana, Colorado--they're calling on Congress for tax relief and telling lawmakers to hold down growth of federal spending.

Copies of letters addressed to members of Congress were sent to National Chamber headquarters.

► "I AM EXTREMELY CONCERNED about the proliferation of government do-nothing jobs while we suffer from low productivity and unemployment in the private sector."

That's from a business executive in Marion, Ohio.

Writes a resident of Connecticut: "In Stamford, the taxpayers are moving to force the city to limit its spending, and we ask no less of our federal representatives."

From Sterling, Colo.: "The obvious solution to many of our problems is to hold the line on federal spending . . . provide a tax cut . . . reduce deficit spending . . ."

Business people are telling their elected representatives the same things:

Hold down government spending, provide tax relief, reduce the federal deficit.

► LOOK TO CONGRESS THIS MONTH for those budget decisions that will affect the American economy for several years.

It's budget-locking time, with deadline set Sept. 15 under congressional budget process.

Congress will decide how much money is to flow from federal coffers in fiscal 1979.

Decision also affects size of federal deficit, sets tone of government budgets

several years down road. Results of congressional decisions this month will impact on area of economy considered more troublesome now than any other: inflation.

Inflation affects you directly.

► LENGTHY BATTLE OVER TAXES reaches crescendo as Senate takes up issue in floor debate this month.

Then conference committee will have to meet to iron out differences in Senate, House versions.

Heat is on as members of Congress race to meet proposed October adjournment of 95th Congress.

► YOU CAN EXPECT CUT in capital gains tax from your national lawmakers.

House approved capital gains tax decrease last month. Attention now shifts to Senate, then conference.

Individual, corporate tax cuts also expected.

President displeased with Congress's action thus far in tax area.

► BIG QUESTION still hinges on President Carter and his veto threat.

Business is calling for much more tax relief to spur investment, increase business activity, create jobs.

This, business says, will cause sizable return to federal treasury. But impact would not be felt for some time, possibly years.

Mr. Carter is worried about short term. His anti-inflation program is not going well. He also is concerned about reelection two years away.

► PRESIDENT NEEDS QUICKER REMEDIES.

Big tax cut--without reducing federal spending--means less money now for government coffers. This translates to



bigger federal deficit and very possibly more inflation.

Business also calling for cutback in federal spending to compensate for proposed cutback in taxes.

But programs that President, Congress want mean more spending--now targeted at about \$40-plus billion on top of current fiscal outlays.

Administration plans larger federal receipts next fiscal year to offset additional government spending.

But big tax cut would dash administration hopes to keep deficit down.

Mr. Carter has problems, and his problems are your problems.

► **GOVERNMENT'S COSTLY** job-training and employment program has never been used by more than two thirds of American business firms.

This is so even though intent of Comprehensive Employment and Training Act was to provide the unskilled with work opportunities, hoping eventually to get them into unsubsidized jobs. Private sector was to play, role in this.

A study by National Chamber, Gallup Organization shows 68 percent of those surveyed have never used CETA programs at all. Of total sample, 15.9 percent used CETA a few times, while only 3.7 percent used CETA frequently.

► **CETA PROGRAMS ARE AVAILABLE** to private sector, providing subsidies to business for worker training costs up to amount equal to 50 percent of wages.

But National Chamber CETA expert says Chamber-Gallup study shows message apparently not getting out to enough businesses.

Expert also says too much emphasis placed on public-sector job subsidies.

CETA reauthorization now before Congress, with final action expected this month. Funding levels projected for fiscal 1979 show \$8 billion targeted for public-sector jobs, while only \$3.5 billion slated for training.

Worker-training funds for private sector would come from the \$3.5 billion.

► **MINIMUM WAGE INCREASE** set for Jan. 1 becoming more controversial. Most

economists agree minimum wage increases are inflationary. Business now pressing for delay in January hike as anti-inflation move.

Treasury Secretary W. Michael Blumenthal is in tune with business on delay issue, but he questions political feasibility of move.

Labor unions are adamantly opposed to any delay.

Decision up to Congress, and mood on Capitol Hill seems sluggish. But business is making moves in effort to bring Congress around.

► **STUDY OF CANCER PROPOSAL'S** impact on U. S. economy will be made by OSHA--at least in part.

OSHA initially refused to prepare economic analysis, but National Chamber and other business organizations bucked agency on issue.

Battle involves executive order requiring economic analyses for regulations which may have \$100 million or more effect on economy. One expert estimates impact of regulations on carcinogens will be as much as \$88 billion.

OSHA capitulated just recently, but question now centers on how far agency will go in doing analysis. OSHA officials say task is impossible.

Our sources tell us, however, that business intends to pursue matter.

Regulations on carcinogens still in proposal stage.

► **SMALL BUSINESS MEETINGS** pointing to January 1980 White House Conference on Small Business now under way.

First opened late last month in Boston.

Next round: Little Rock, Sept. 8; Denver, Sept. 22-23; Cleveland, Sept. 28; Pittsburgh, Sept. 29.

Meetings will be held each month through August 1979 in cities in every state, including Alaska, Hawaii.

Theme of 1980 conference: "Small Business: The Next Twenty-five Years."

Interested in attending or adding your input?

Contact your local chamber of commerce or Center for Small Business at National Chamber headquarters in Washington.



# THE CASSETTE DECK THAT PLAYS REQUESTS.

Any cassette deck can play music. But only a cassette deck with The Sharp Eye™ can play requests.

Sharp's new RT-1157 cassette deck finds and plays the music you want to hear. And skips the selections you can live without.

With it you can repeat your "Gotta hear that one again" favorites, just by



"Start with the next song."



"I love it—play it again."

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You can even change your mind in the middle of a selection and request it to find the start of the next.

The Sharp Eye is an electronic search system that automatically senses the short blank spaces between songs on a tape and finds the start of any selection. For repeating songs it works the same way, but in reverse.

The Sharp Eye is an exclusive feature on Sharp tape decks, music systems and radio/cassette portables.

But the Sharp Eye isn't the only reason you'll want the RT-1157.

You'll want it for its spectacular sound. And its very respectable specs: wow and flutter, 0.09% WRMS. S/N ratio, 62dB with Dolby.\* And a frequency response of 40-14,000 Hz ( $\pm 3$ dB) for FeCr.

Take your requests down to your Sharp® dealer. He'll show you how the RT-1157 plays them.

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IS QUICKER THAN THE HAND.**

\*Dolby is a registered trademark of Dolby Laboratories.



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### Keep your surroundings at 66° F.

You can adjust your thermostat. Or, you can come to live at Moss Creek Plantation, where the climate is always comfortable, with a yearly average temperature of 66.4°F.

Moss Creek is a private residential community, located just across the bridge from Hilton Head Island, deep in South Carolina's sub-tropical Low Country. Within our 1,042 acres of meadow, forest and salt marsh, we offer you a personal, and elegant lifestyle, and at the same time, you are in the midst of one of the finest resort areas on the East Coast.

### Avoid driving hazards.

One of the best ways to keep your car off the ice, is to keep your eye on the ball, at Moss Creek. Golf is a year 'round activity with us.

Our Devil's Elbow course is one of the finest in the Country. Designed by George and Tom Fazio, Devil's Elbow combines lush, green fairways, with just enough rough,

and challenging approach shots over the salt marsh to island greens. Devil's Elbow is the home of the Women's International Golf Tournament, one of the favorites of the L.P.G.A. professionals.



## How to survive the Washington winters.

### Dress for the weather.

You can invest in some new galoshes and an overcoat, or you can relax and get comfortable with us. You will find everything is mild and easygoing here. From our climate, to our social activities, to our neighbors.

### Exercise to stay warm.



Calisthenics are always good. Or, you can stay active at Moss Creek with tennis, swimming, horseback riding, deep water docks, and our famous Devil's Elbow golf course. One of the most important things to remember, is that all of our amenities are available in a private country club environment, with established fees for residents, their guests, and guests of the Plantation. That means no crowds, no motels, and no long lines on the first tee.



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When you live at Moss Creek, there is really nowhere else you need to go. Our community provides the environment for the establishment of the highest quality homes in all of the Southeast. And every one is in close relationship to a natural or recreational amenity.

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Obtain HUD property report from developer and read it before signing anything. HUD neither approves the merits of the offering nor the value, if any, of the property. This offer is not available to residents of states where prohibited by law. The authorized Maryland broker is Weaver Bros., Inc.



# THANKS, FOLKS. WITH YOUR HELP, HEALTH CARE COSTS ARE STARTING TO LEVEL OFF.

Example: the Maryland health planning agency recently took a second look at plans for several new and expanded hospital projects that had already been approved. They decided that facilities involving a total of 426 new beds needn't be built right now. If they're never built, savings in construction costs alone will be at least \$29 million.

Example: two hospital groups in Montgomery County put their heads together and decided only *one* new hospital was needed. Not two. Saving: nearly \$17 million in construction costs.

Just two examples of tough decisions from a growing list. And proof that careful planning and coordination among health care groups—supported by the public—can bring about big cost savings.

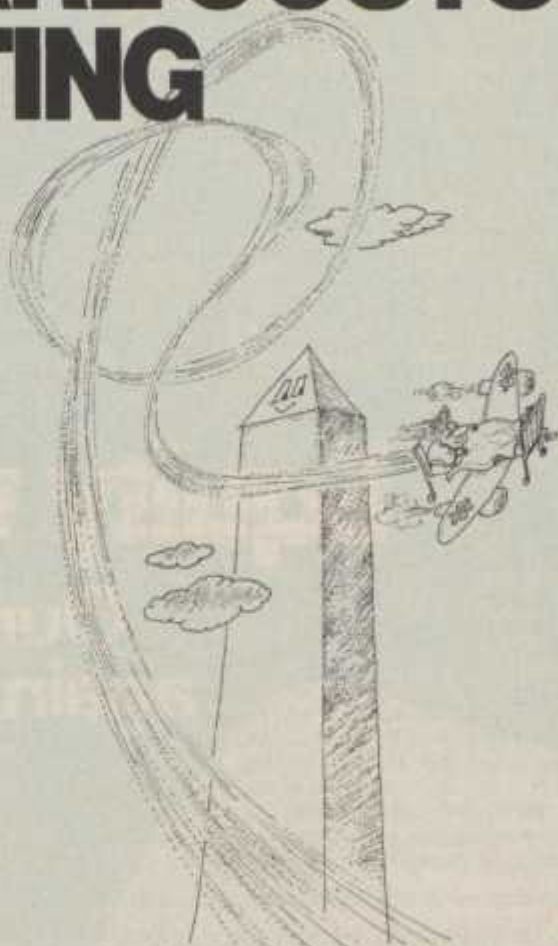
## Continued health planning needed.

Ten years ago, a day in the hospital cost about \$80. Today, it runs about \$230. But by 1980—unless we act now—the figure could jump to \$400, or even more.

Nobody wants that.

So we're asking you to help. As a local citizen, your support for better health-planning decisions has already helped push back the \$450 we estimated two years ago a day of hospital care would cost by 1980. That support is still needed.

Every dollar you can help save now means less money you'll have to pay later on. In taxes. In direct charges. And in payments for your health care coverage.



Our Blue Cross and Blue Shield Plans will continue to do independent studies on community need for local health care services. And we'll remain active in the health care planning process. But we hope you, too, will get involved now. To learn how, send for our free booklet: *Help Wanted*, P.O. Box 23600, L'Enfant Plaza Station, Washington, D.C. 20024.



**Blue Cross  
Blue Shield**

Group Hospitalization, Inc., Medical Service of D.C.  
The Blue Cross and Blue Shield Plans of the National Capital Area

We're trying to keep health costs down.  
But we need your help.

**A business investment that speaks for itself.** It's not just small change, but rather large dollar savings! American Telecom of Maryland, Inc. will *cut your present phone expenses by 40%—60% per month*, depending on the size of your system. Simple business logic. You need to stop renting and start *building equity*. By *purchasing your phone system* from American Telecom, your only obligation to the phone company is for usage, not rental.

If you have just 7 or more phones, we can provide a cost efficient phone system, from key telephones for small business, to the most sophisticated computer controlled switchboards. We put our service

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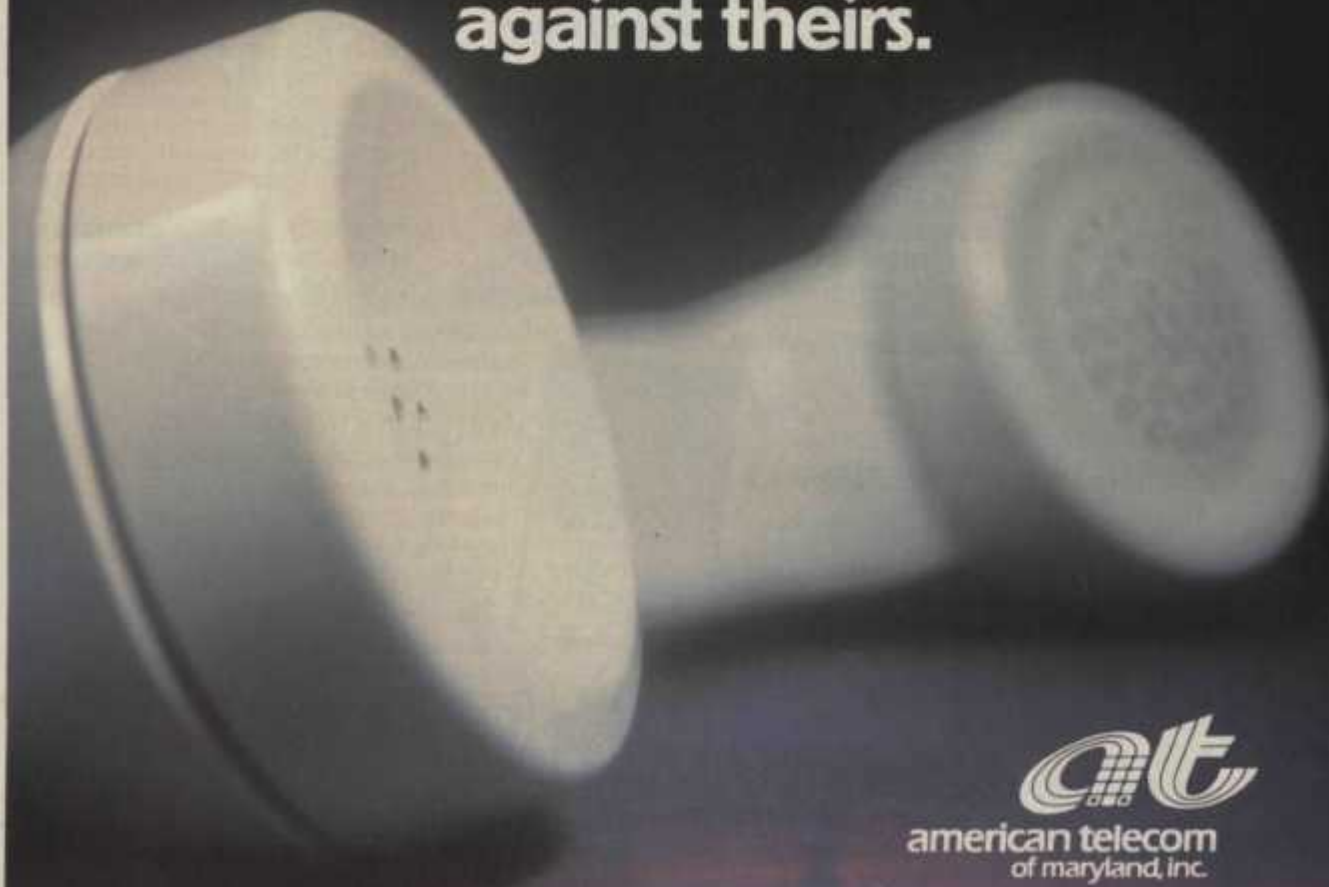
*You capitalize on the investment.* By owning your telephone system you avoid the annual increase granted to the phone company for equipment rentals; *you receive a 10% tax investment credit; you have the advantage of capital equipment depreciation.*

Cutting costs in business . . . is smart business.



# Equity vs. Rental

## Our word against theirs.



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# How to Achieve Total Financial Freedom

**A MUTUAL CONCERN.** We've never met and probably never will, but I think we share a common interest. That interest is in achieving complete and total financial freedom.

Recently my net worth reached the *magic million dollar mark*, and it only took me 48 months to achieve that.

That might not impress you, but if you had seen me just a few years ago, you might wonder how I did it. I lived in Denver then, in a cramped, tumbled down house at 2545 South High Street. My wife was expecting our second child and we were so broke we had to borrow \$150.00 from a relative just to buy food and pay the rent.

By the way, I know I didn't make a million dollars because of my superior intellect — I barely got through Ames High School (Ames, Iowa) with a C average. I did a little better later on but I soon realized that a salaried job was not the way to become financially free. If you'll stop and think, you'll realize that millionaires do not work 10, 20, or 50 times harder or longer than you.

**FINANCIAL FREEDOM.** It seems that most people who are charging for financial advice have studied how to "do it" but have never actually "done it" themselves. You will find as you read my formulas, that since I have actually achieved total financial freedom myself, that you will receive from me more than just the motivation to achieve your own financial independence, but a workable step-by-step plan to actually do it.

**STEP-BY-STEP.** Contained in the work entitled *How To Wake Up The Financial Genius Inside You* are the various formulas which will show you exactly how you can do each of the following:

- buy income properties for as little as \$100 down.
- begin without any cash.
- put \$10,000 cash and more in your pocket each time you buy (without selling property).
- compounds your assets at 100% yearly.
- legally avoid paying federal or state income taxes.
- buy bargains at one-half the market value.

**MORE LEISURE.** If you apply these formulas and methods you will find in a very short time, you will be able to do almost anything you care to do, and I think, at that time, you will find as I have, that spending several weeks on the beaches of Hawaii, or on the ski slopes of Colorado, or just sightseeing in Europe, or any other place in the world, you begin to understand what *real freedom* is all about.

Most people think that it would be impossible to do some of the things listed above. For example, to buy a property, and at the same time put \$10,000 (or more) cash in your pocket without selling the property, or to buy a property with little or no cash down.

Believe me, it is possible and fairly simple. This is exactly how most wealthy people achieve it.

Inquire at your local bookstore for Mark Haroldsen's "How to Wake Up the Financial Genius Inside You." \*M2 © Mark O. Haroldsen, Inc. 1978



**Mark O. Haroldsen became a millionaire in four years because he found a way to harness inflation to his benefit. Now it's your turn! "I've found" says Haroldsen, "that most people just need a specific road map to follow... they can do what I've done."**

usually do make 10, 20, or 50 times more money than you do.

**YOUR MONEY'S WORTH.** While I was struggling on making my first million, I often thought how nice it would be to have the personal advice and counsel from someone like Howard Hughes or J. Paul Getty.

What would I have been willing to pay for this service? I can tell you one more thing for sure, it would have been a lot more than the \$10.00 that I'm going to ask you to invest in your financial future.

*"... more than 300,000 people have discovered that my formulas will provide the road map that can lead to total financial freedom..."*

**FOR YOUR FUTURE.** What will this \$10.00 actually do for you? It will give you a complete step-by-step plan that you can follow to become totally and completely financially independent.

Please try to understand my dilemma. I'm not a New York advertising agency with all their professional skill and manpower to write a powerful and persuasive ad to convince you that I can make you financially independent. I am just somebody who has actually 'done it', and can really show you how to 'do it'.

**TEST IT YOURSELF.** It's really quite frustrating to have something so valuable as I know I have, but lack the skill to convince people to try it for themselves. I hope by my simple direct approach I can convince you to try my formulas.

**INDECISION — THE COSTLY DECISION.** It seems the majority of the people in our rich

country lose, not because they lack intelligence, or even willpower, but because of procrastination, or lack of action — please don't be like the masses. Make a decision while you have this paper in your hands. Make a decision now to either act now and send for my material or immediately round file this paper. If your decision is to order, do it now, not later. Otherwise you may lose, just by default.

**"FINANCIAL FREEDOM."** To order, simply take any size paper, write the words "Financial Freedom," your name and ad-

dress, and send it along with a check for \$10.00 to Mark O. Haroldsen, Inc., 2612 So. 1030 West, Dept. G-392, Salt Lake City, Utah 84119.

If you send for my materials now, I will also send you documents that will show you precisely how you can borrow from \$20,000 to \$200,000 at 2% above the prime rate using just your signature as collateral.

**IT'S GUARANTEED.** If you are still somewhat skeptical, and believe me, when I started out I certainly was, because of the many people in the world trying to deceive others, I would encourage you to postdate your check by 30 days, and I promise and guarantee that it will not be deposited for at least those 30 days, and if for any reason you do not think that what I have sent you lives up, in every aspect to what I told you in this letter, send the material back, and I will quickly, without question, refund your money and send back your own uncashed check or money order.



# Inflation: What It Is and How to Stop It

I have an idea how to stop this inflation. If you could persuade all businesses that make a productive item or offer a service to close down for one or more days, there would be no taxes collected to make the payrolls for the public workers.

The 65 million private workers could stay on strike until the government reduced the budget and brought the public workers' salaries in line with the salaries of private business and industrial workers.

**JOHN I. HOUSE**  
President  
Amco Engineering Co., Inc.  
Detroit, Mich.

Your concept of inflation is not complete. Quite simply, inflation equates with a lower standard of living. Two

basic factors are involved: total production and population.

All the jive about indexing, cost-of-living allowance, money supply, and deficit spending, merely affects the question as to whose standard of living will be decreased the most.

This situation is part of the natural evolution as man uses existing natural resources faster than they can be replenished or other resources developed.

**LEONARD F. LONG**  
Controller  
Monett Savings & Loan Association  
Monett, Mo.

Three articles on inflation in your May issue ["Washington Letter," "Sound Off Response," and "Involved Business People: Powerful New Force for Change"] have triggered an idea:

Communicate with business leaders and get them to encourage their employees to write to their elected officials to work diligently to curb inflation.

Most companies have house organs or bulletins published weekly or monthly which could be used to convey such a message to employees. By using this technique, perhaps supported or supplemented by the news media, a tremendous grass-roots ground swell could be developed to tell our elected officials that we citizens are no longer apathetic about this insidious problem, and we want them to do something constructive about it.

**GEORGE GOODRICH**  
Senior partner  
The Goodrich & Sherwood Co.  
New York, N. Y.

People who think the major cause of inflation is the government are wrong. The government is the only cause, because only it can print money.

There is still no free lunch. If writing words on paper created wealth, there would be no poverty in the world. Money does not hold its value when lots of it is printed.

**WARREN SNYDER**  
Snyder Molasses Co.  
Chicago, Ill.

## Loving is believing

Your article on defense [Industry Special Report, "Defense: How Much Is Enough?", July] was, in my view, a balanced, professional job. You put your finger on a number of tough areas directly affecting not only industry but also our military force readiness and capabilities.

As to the profile you did on me, I sent it on to my mother. She may not believe it—but she'll probably love it anyway.

**DAVID C. JONES**  
General, USAF  
Chairman,  
Joint Chiefs of Staff

## Increasing productivity

For a long time, I have preached that increased productivity is the only solution to the economic problems of today. Lo and behold, Arthur F. Burns,

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former chairman of the Federal Reserve Board, suggests that the federal government create a national productivity center. Can you imagine how effective such a center would be? If anyone has thrown out the book on productivity, it is Washington, D.C.

Thanks to the courts and organized labor, it is impossible for any company to demand, and get, increased productivity.

Cut taxes, keep reasonable regulations, and return to the old ideas that profit is good and performance deserves reward. Then watch the economy grow.

H. A. VAN BROCKLIN  
Vice President-Sales  
Monorail Car Wash, Inc.  
Auburn, N. Y.

### Buying votes

Robert T. Gray made a good start on what has to be the all-time scandal of American politics. ["What to Expect in the Off-Year Elections," July]

The \$500,000 advantage is for one year so the congressman has actually used one million taxpayers' dollars toward his reelection before the actual campaign begins.

Mr. Gray notes that things changed after the landslide of 1964. That is when the Democratic majority began to vote itself reelection; the practice has continued and grown. The mystery is why the Republicans refuse to raise that fact as an issue.

The problem is worse in the House than in the Senate. Perhaps because senators are so much more visible, they don't dare pull the outrageous stunts the House does with regularity.

Keep digging, and please stop calling it the incumbent's advantage. Call it what it is: Using taxpayers' dollars to buy votes.

DANA W. BURDEN  
Chamber of Commerce  
Wickenburg, Ariz.

### Tax reform AND reduction

In his article, "Debunking the Claims of the Tax Reformers" [June], Dr. Paul C. Roberts appears to be concerned with vertical but not horizontal tax equity. There is need for both tax reform and tax reduction.

HERBERT J. FUNK  
Associate Professor of Economics  
Creighton University  
Omaha, Neb.

### Self-inflicted injuries

Your article, "From One Second-hand Truck to a Giant Truckline" [July], concerning Harwood Cochran's rise "from a struggling small

businessman to a highly successful executive" of Overnite Trucking Co., is an example of one of the major problems in today's business community.

A friend of Mr. Cochran's is quoted as saying, "Harwood is a perfect example of the free enterprise system at work." Then Mr. Cochran says the following: "We (the trucking industry) cannot operate without government regulation. Without the ICC (Interstate Commerce Commission), you might come up with 35 different scales of rates for the same commodity. This would be chaotic."

Executives in several industries involved in transportation feel the world would end if they had to operate under price and service competition. Each feels his industry is a special case and should be protected from the day-to-day trials and tribulations the rest of the business community has to face.

Mr. Cochran's statement that no one could start out today and build a giant trucking business such as Overnite says a lot about the current status of the free enterprise system within the trucking industry. He says high taxes are why this would not be possible. I wonder where he thinks the mon-

ey comes from to pay for his beloved rate stabilizing by the ICC.

Not only are a lot of the injuries to the free enterprise system self-inflicted, but also it seems that a lot of the injured parties love the pain more than the cure.

AL SCOTT  
President  
Safari Drilling Corp.  
Abilene, Texas

### Defense budget blamed

Your Business Confidence Survey ["Growing Fear of Double-Digit Inflation," July] did not list the one category that far exceeds all others as the cause of inflation—the defense budget.

Defense is the single biggest item in the federal budget. If we would convert half of our defense dollars into services or useful programs, we would reduce unemployment to a practical zero, and inflation would not be as rampant.

Most countries that have relied upon arms have perished by arms. The United States is still on that course but will soon be derailed. Let's change course before we destroy ourselves.

CARL L. SMELTZER  
Pastor  
Kalona Mennonite Church  
Kalona, Iowa

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## Of Flags, and Pipes, and Suitbags

THE 23D ANNUAL HIGHLAND GAMES were staged at Linville, N. C., early in July. Not long after, word came that President Carter's popularity had dropped to a new low. The conjunction of these particular events was meaningless, but, in a curious way, one event helps to explain the other. The games tapped a spring of responsiveness in the American psyche and freed a flow of healthy emotion. It is a process that Mr. Carter, in terms of the presidency, has never seemed wholly to grasp.

The games at Grandfather Mountain were started in 1956 by Mrs. Agnes McRae Morton, whose forebears came to North Carolina in the 1700's. She grew up with a strong sense of Scottish tradition, she regularly visited Scotland, and in the mountainous country around Linville she felt an identity with the distant land of her inheritance. At first, the Grandfather Mountain games attracted only a handful of clans. Now, the games have grown into the largest Scottish festival in the United States and have stimulated the scheduling of Highland Games in such diverse spots as Ligonier, Pa., Charleston, S. C., Atlanta, and even in Orlando, Fla., which resembles Scotland not at all.

The best of all ways to visit the games at Grandfather Mountain is to follow the Blue Ridge Parkway. At one point along the way, McRae Meadows can be seen below. From this distance, it is Camelot reborn—a hundred flags and pennants rippling in the wind, scores of blue and gold pavilions, the sort of town fair that Guinevere graced. Coming closer, one hears the bagpipes. Granted, these are not to everyone's taste. Massed bands of pipers have been compared unfavorably to a convention of tomcats, but there is something in the strident, penetrating urgency of the bagpipes that evokes a martial spirit.

OVER THE WEEKEND of July 8-9, the Highland Games attracted between 12,000 and 14,000 persons each day. They had come from as far away as Hawaii and Alaska and from many points in Canada. Mind you, Linville is no easy place to get to. It is an hour and a half from the nearest airport at Bristol-Kingsport-Johnson City, and it is a long drive from anywhere. Nevertheless, these thousands of Scottish descendants had made the effort, most of them bringing their full Scottish regalia, ostensibly to hear the piping bands, to enjoy the Highland dances, to watch the athletic events, and perhaps to experience the benign inspiration of Scotland's most famous product. One young laird, overcome with ancestral pride, set out on Saturday night to drink all the Scotch whisky in North Carolina. He was halfway toward that awesome goal

when his fuses blew. He had to be helped to his bed by a kindly sergeant of the North Carolina police, McDonald by name.

Why had these Scots come from such distances? In a little talk I gave that Sunday morning, I tried to answer the question in terms of the most astonishing media event of 1977. This was the eight-night run of the television drama, "Roots," the tale of Alex Haley's search for his ancestors in a remote African village. Mr. Haley's book was a phenomenal best-seller. The TV series set off a wave of genealogical research. Plainly, "Roots" touched a widespread longing among the American people, of



every race and ethnic origin, to link their present with their past.

PART of this desire, I think, stems from our need for order in a disorderly time, for a sense of permanence in an era of fleeting fads and fancies. Most of us live at freeway speeds, in a world of bumper-sticker brevity. Out of some insane delusion of progress, we destroy the landmarks and buildings of our past. Regional accents and customs steadily disappear; moral values wither in the heat of changing life-styles. Among the most revealing songs of this generation is the one that begins: "I'm leaving, on a jet plane, don't know when I'll be back again. . . ." Ours is the era of instant rice, instant potatoes, instant analysis, TV dinners, and no-fault divorce. We are part of the most progressive, the most marvelous, the most prosperous society that ever existed, and we take the most pills.

For the Scots, to identify with one's clan is to identify with one's past. This is a process of membership, of community, of belonging. The same value inheres to the Indian tribes, the African tribes,



the Knights of Columbus, the B'nai B'rith, the Masons, the Eagles, the Elks, and the Moose; to the Poles, the Swedes, the Germans, the Greeks—to all the families of man. We inherit a spiritual estate from our forebears, we hold it in trust, we bequeath it to our sons and daughters. Edmund Burke spoke of this fiduciary relationship as links in a chain, and so it is—a chain like an umbilical cord reaching back to ancestral wombs.

But there is something more in this phenomenon than a hunger for order and permanence. There is also a hunger for ritual, for tradition and ceremony. It is a hunger not often recognized. Americans like to think of themselves as the most informal people, as barefoot, shirt-sleeved, gregarious fellows, always ready to light up the backyard barbecue. This is true but only to a point. In the metaphorical American closet, just beyond the overalls hang the Sunday go-to-meeting clothes. We like to get dressed up for grand occasions. We love the fraternal rite, the mystic incantation. It is no coincidence that we speak of the "majesty of the law" and vest our justices in regal robes.

**M**ANY YEARS AGO I covered the funeral of a Virginia fire chief who ranked high in the Masonic Order. The rites that were meaningless to me were profoundly moving and comforting to his family. On a very different occasion, just a few months ago, I spoke at an induction ceremony for new members of the National Honor Society at a rural high school. The whole student body had assembled—a rambunctious lot, eager to be free for the afternoon—but when the ritual candles were lighted, they fell absolutely silent.

All of us have seen crowds affected in the same way by color guards or by the singing of the National Anthem. Such symbols are part of everyday life—the graduate's mortarboard, the bridal gown, the policeman's badge of office, the corporate gray flannel suit. Consciously or subconsciously, ritual fills a need in our lives, and we feel deprived when it is taken from us. In the view of many observers, the Catholic Church in America dealt itself a grievous blow when it abandoned the Latin mass. The gain in comprehension was more than offset by a loss of mystery and by a breaking of the chain to the catacombs.

This sense of ritual lies behind the appeal of the Scottish games. On the face of it, it is foolish for grown men, on a broiling day in July, to get into woolen kilts and high woolen stockings. It was a sweaty exercise for the dancers to put on Scottish costumes and to exhaust themselves in flings and reels. What is the relevance of the Scottish sword dance to the morning news? At Grandfather Mountain, the athletes threw the clachanert, a 16-pound stone; they tossed a heavy sheaf of hay over a 22-foot bar; they tried to turn the caber, an 84-pound telephone pole; and they wrestled Highland style. Sunday morning the whole assembly sang the old Scottish songs, and all around us, the whole time, were the pipers and the flags. Nearly 90 clans were on hand at Grandfather Mountain.

In a final ceremony, the male members marched in a parade of tartans around the quarter-mile

track—old men and boys, young fathers carrying their kilted infant sons on their shoulders—and my wife, who has not an ounce of Scottish blood in her French-Italian veins, sat in the reviewing stand and wept.

**B**ACK TO Mr. Carter. He ran as a man of the people, and that is an effective posture for a candidate. But it is a poor posture for a President. The image fails to satisfy those inchoate yearnings that brought the Scots to Linville in July.

It is possible for a President to go to the other extreme. Mr. Nixon won nothing but ridicule when he briefly sought to caparison the White House guards. Gerald Ford, on succeeding Mr. Nixon, prudently retired the Army Herald Trumpets who used to precede the President on ceremonial occasions. But Mr. Ford, even though he once toasted English muffins for the press, stuck to most of the trappings of his office—the limousines, the red carpets, the coats and ties, to all the little things that signaled: The President is coming!

Mr. Carter abolished these vestiges of rank and privilege. Out went the limousines, the coats, the ties, the portraits of cabinet officers. It was an early joke that Mr. Carter ordered the band, if it felt compelled to play anything at all, to play "Hi to the Chief." In a cardigan sweater the President chatted from his fireside. He traveled abroad in the land to spend a night or two in the homes of the common man. Coming and going, he carried his own suitcase over his shoulder. "I'm no better than you are," he told the crowds.

And when he had done all these things, nobody knew the President was coming.

**O**VERSIMPLIFY, of course. Many of the President's troubles, especially with a resurgent Congress, cannot be tied directly to his misplaced sense of populism. It is Mr. Carter's total inexperience that has done him in. But my basic premise is sound. The presidency is the most powerful office in the land, perhaps the most powerful office in the world, and the substance of that power should remain in the hands of the holder no matter what. Yet a President's power is rooted only partly in Article II of the Constitution. His power lies also in the aura that he establishes in office. It is a quality known as leadership or "command presence," an invisible mantle of authority.

It is not required that a President be always dignified or that his shirts be stiffly starched before he stuffs them. All that is required is that a President be presidential.

In this regard, all that is asked is that a President tap the buried yearnings of the human heart. Man can exist on bread alone, but man cannot live on bread alone. Beyond the humdrum, everyday realities are symbols, and symbols are important. The flags that rippled over a mountain meadow in July spoke of heads crowned and heads mitred, of battles won and battles lost, of swords and helms and clashing arms. The bagpipes thrummed their tales of loyalty, honor, and courage, and for a few hours the Scots were united again by a filial bond. Scotland forever! I wish Mr. Carter could have been there. □



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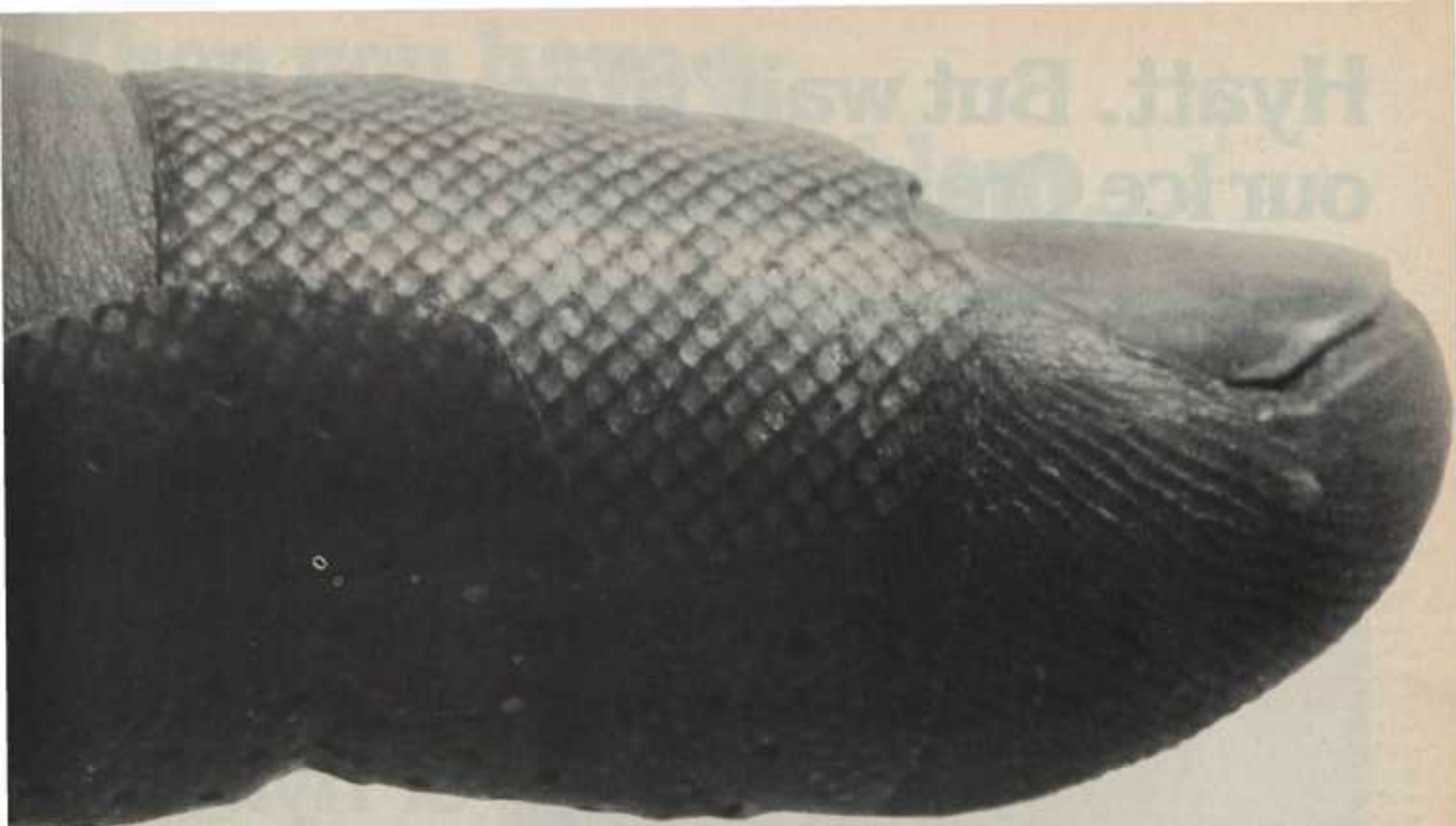
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## ECONOMY

## Wage Boost Review Pushed by Business

With the U.S. economy again racked by double-digit inflation, the 25 cent increase in the minimum wage that is slated for Jan. 1, 1979, is under attack by key government officials and business.

A slender hope for deferral of the increase is in a scheduled review by the Minimum Wage Study Commission. But business people are not overly optimistic—only two of the

PHOTO: WHITE HOUSE



Bosworth: Increase in minimum wage rates has been a dominant factor in inflation.

presidential appointees to the eight-member commission are economists. Unless the commission uses outside economic experts, it is likely that the study will become a political report to justify the total 45 percent increase in the minimum wage over four years. By Jan. 1, 1981, the minimum is to climb to \$3.35.

The only bright side of that minimum wage legislation, say business leaders, was the amendment establishing the commission. Its job is to "conduct a study of the Fair Labor Standards Act of 1938 and the social, political, and economic ramifications

of the minimum wage..." Among the topics to be studied are the inflationary impact of increases in the minimum wage and the employment effects of a lower wage for youth.

If the past six months are any indication, the commission will have ample evidence of the inflationary impact resulting from the increase in the minimum wage from \$2.30 to \$2.65 last January. The effect has not escaped the critical eye of several administration officials.

Barry P. Bosworth, director of the Council on Wage and Price Stability, says that one of the dominant infla-

PHOTO: NEW NEWSPICTURES



Blumenthal: With others, he supports a deferral of the Jan. 1 wage increase.

tionary actions of 1977 was the increase in the minimum wage.

Appearing before the Joint Economic Committee, Federal Reserve Chairman G. William Miller testified that the "action of the government has played a significant role in the recent worsening of inflation. Service prices have risen strongly, influenced by the rise in the minimum wage on Jan. 1." Mr. Miller added that he would welcome a deferral of the 1979 increase.

Testifying before the House Budget Committee, he concluded that "it seems appropriate to consider deferring the increase in the minimum

wage scheduled for Jan. 1, 1979, given its implications for costs and for youth employment opportunities."

Secretary of the Treasury W. Michael Blumenthal has also voiced support for deferring the January increase.

Jack Carlson, vice president and chief economist of the Chamber of Commerce of the United States, says "Deferral of the scheduled minimum wage increase for two years could reduce consumer prices by 1.5 percent and provide 900,000 additional jobs for young and minority workers."

Particularly hard hit by the minimum wage increase is the food service industry, which probably is the largest employer of young people. Economists at the National Chamber estimate that in the first month after the increase went into effect, teenage employment declined by 185,000.

According to leaders in the restaurant industry, job dislocation so far is minor compared to what is expected in 1979. The wage legislation requires a reduction in the tip credit from 50 percent to 40 percent by 1980. This reduction, coupled with the rise in the minimum wage rate, means labor costs for tipped employees such as waiters will rise by 75 percent, with a 20 percent increase in 1979 alone. Such increases are bound to have severe economic consequences not only for employees but also for the consumer who pays the bill.

## Commission Will Study Maze of Benefit Plans

Although the mandatory retirement age goes to 70 on Jan. 1, 1979, the social security financing bind is far from solved, and private pension plans have another item to factor into an already complicated equation.

Soon to look at the big picture will be a Commission on Pension Policy, created by the President to review retirement, survivor, and disability programs throughout the United States, including private, federal, state, and local systems.

The 11-member commission, with



staff support from the General Services Administration, is to report within one year of its first meeting. But so far, no members have been named.

In addition to a comprehensive review, the commission is to develop national policies for retirement, survivor, and disability programs that can be used as a guide for both public and private plans.

## CORPORATIONS

### Senate Bill Is Solution to Easy Dispute Resolution

A bill working its way through Congress would help consumers and businesses where they are, rather than in Washington, D. C., where they are not.

The Dispute Resolution Act, S. 957, which was passed by the Senate in June, would help states, local governments, and nonprofit organizations to establish and improve procedures for resolving consumer complaints. The bill has the support of the National Chamber, other business groups, the administration, consumer organizations, and the American Bar Association.

Sens. Edward M. Kennedy (D-Mass.) and Wendell H. Ford (D-Ky.), who introduced the act, say: "For the majority of Americans, mechanisms for the resolution of disputes involving consumer goods and services as well as numerous other types of disputes involving small amounts of money are largely unavailable, inaccessible, ineffective, expensive, or unfair."

The purpose of the legislation is to provide consumers and business with ways for resolving minor disputes effectively, efficiently, fairly, and inexpensively. The hope is that the act will provide an incentive for states, local

governments, and nonprofit organizations to study their existing minor dispute resolution mechanisms, to add new mechanisms, and to change old methods that no longer serve the public as they should.

Criteria for improving present methods include making forms and rules easy to understand and free from technicalities; providing paralegal assistance; operating the system during convenient hours, including evenings and weekends; translating for non-English-speaking people; ensuring that resolutions of disputes are implemented; encouraging out-of-court settlements and adjudication; and permitting use of the dispute resolution mechanisms by small businesses, corporations, partnerships, and assignees.

### SEC Seeking Regulation of Development Bonds

"It is evident that reform is needed in industrial development bonds," says Securities and Exchange Commissioner Roberta S. Karmel. SEC Chairman Harold M. Williams, other SEC commissioners, some members of Congress, and many business people believe that these bonds are virtually indistinguishable in the economic substance from corporate debt securities and should be treated equally with corporate bonds.

Under present laws, the bonds—essentially debt instruments issued by state or local governments to finance the construction or acquisition of a facility for private use—are not subject to the full registration requirements of the Securities Act of 1933, the periodic reporting requirements of the Securities Exchange Act of 1934, or the filing and qualification provisions included

in the Trust Indenture Act of 1939.

An SEC-proposed bill, introduced by Sen. Harrison A. Williams, Jr. (D-N.J.), would change all that. Development bonds would be regulated, and information on capital structure and proposed use would be disclosed to investors.

"Exemption from such laws," says SEC Chairman Williams, "is no longer warranted... because such bonds are corporate not municipal debts. The proposed legislation... would provide a suitable framework for increased federal regulation of such bonds."

The Senate Banking Committee says it will hold public hearings on the issue this fall.

## SMALL BUSINESS



Commerce's Kreps: Short and long-term fixes for product liability insurance.

### Administration Proposes Product Liability Fixes

The Carter administration proposes to combat the problem of escalating product liability insurance premiums and costs by a short-term tax measure and a comprehensive long-range program.

As a first step, Secretary of Commerce Juanita M. Kreps suggests an amendment to the Internal Revenue Code to allow businesses an extension of the carry-back period for net operating losses due to product liability costs. The law now generally provides for three years; she would increase this to ten years.

The comprehensive program would attack what the Commerce Department calls the "basic causes of the product liability problem: uncertain-

SEC's Williams: Exemption of development bonds is no longer warranted.





# OUTLOOK

ties in the legal system, insurance rate-making practices, and the manufacture of unsafe products."

The Commerce Department is drafting a model uniform product liability law that could be enacted by states. While the federal government has been studying the problem for several years, business groups have been working actively in each state legislature to bring about reform. The first such product liability reform law was enacted by Utah in 1977.

The federal law, says Secretary Kreps, will be completed promptly.

"We will seek advice from the states as well as the different interest groups affected by the product liability problem," she says. "We want to draft a balanced code that will add needed stability to product liability law."

The problem of product liability in the workplace has also been studied by the Commerce Department in connection with the Labor Department's overall review of the worker compensation program.

When an accident involving a manufactured product occurs in the workplace, the worker is usually eligible to collect worker compensation. The worker may also bring a claim against the product manufacturer. The net result may be that the product manufacturer pays the entire cost of the worker's award, even though the employer's negligence was a substantial cause of the injury.

Secretary Kreps says: "The Commerce Department will propose relief for product manufacturers as a part of any worker compensation legislation. The proposal would ensure, however, that the manufacturer of a deficient product makes an appropriate contribution to pay the worker's claim."

Also planned by the Commerce Department are standards for regulating product liability insurance and methods for forming self-insurance groups.

## INTERNATIONAL BUSINESS

### Chamber, World Bank Plan Business Briefings

What's good for Upper Volta may be good for U.S. business as well. The National Chamber and the World Bank are planning to take that message nationwide.

Since 1944, overseas projects financed by the World Bank have resulted in the value of goods and services purchased from U.S. firms equal to six times the amount of money the U.S. government has paid into the capital stock of the bank. In 1977 alone, American firms got \$400 million, equal to 18 percent of the bank's total project financing for the year.

Beginning in the late fall or early winter, the National Chamber and the World Bank will hold briefings in selected cities in an effort to increase that percentage. The briefings will tell business people how the World Bank operates, what sort of procurement business is available, and how to get a share of World Bank projects.

## AGRIBUSINESS



**Drought:** New farm act also helps farmers facing credit and financial disasters.

### Economic Disaster Loans Available to Farmers

Federal farm disaster money is now available—with a limit of \$400,000 per customer—to help farmers facing credit shortages or financial hardship because of rising production costs and falling prices for their crops and livestock.

President Carter signed the two-year, \$4 billion program into law last month over the objections of the non-farm business community. Business felt the private sector should make these economic emergency loans to farmers at prevailing interest rates.

The interest rates on the first loans made directly by the Farmers Home

Administration will be 8.5 percent. Future rates will be based on the government's cost of borrowing, which is expected to continue to rise. All loans will be made on an individual, case-by-case basis.

The legislation also provides for guaranteed loans on which the interest rate is negotiated between the lender and the borrower. Under this part of the program, the FmHA will guarantee up to 90 percent of the loan. Operating loans to farmers will be made for up to seven years while loans that are consolidated or rescheduled will have an additional seven-year repayment term. Under special conditions, FmHA may authorize repayment over 20 years.

A borrower's combined debt to FmHA may not exceed \$650,000.

## LABOR

### Struggle Against Business Labeled Class Warfare

While the abrupt resignation of Douglas A. Fraser, head of the United Auto Workers, from the Labor-Management Group is being heralded as a signal of an impending class war between labor and business, in high level labor circles, Mr. Fraser's bolting is described as grandstanding.

Actually, the AFL-CIO called the current labor-management situation class warfare two months earlier.

"Look," says a key Washington labor official, "the Labor-Management Group was dead before the July 19 meeting was canceled; none of the labor representatives was going to attend that meeting anyway."

This is the unofficial group of top business and labor leaders pulled together by Prof. John Dunlop of Harvard. Many thought this group would be one of President Carter's best hopes for holding down wages and prices.



**UAW's Fraser:** Joins AFL-CIO in charging business with waging class warfare.



Mr. Fraser's resignation is interpreted by key business leaders as a ploy to gain more of the spotlight from AFL-CIO President George Meany and to confront General Motors, the UAW's target in negotiations this fall for a new contract.

Clearly, labor's current mood would indicate the adoption of a new militancy, says Robert T. Thompson, a leading labor lawyer from Greenville, S.C. "Mr. Fraser's letter of resignation was more or less a declaration of war, a signal that he wants to roll back the clock 40 years," he says.

Yet, as Mr. Thompson points out, Mr. Fraser was not the first to talk of class warfare. AFL-CIO Secretary-Treasurer Lane Kirkland, speaking before a symposium by the Work in America Institute, Inc., at Harriman, N.Y., last May, fumed at business groups for the effective business-led campaign against the so-called labor law reform bill in the Senate.

"There is a term for the kind of a campaign that American industry has launched to kill the hopes of the most oppressed and deserving workers in this country," he said. "It is class warfare."

The defeat of that legislation is the latest loss for labor on Capitol Hill. But, in conceding defeat on this issue, AFL-CIO President George Meany won a promise from the Carter administration that it would hold back on governmental intervention in upcoming collective bargaining over wage increases.

While labor charges that business has initiated class warfare, business feels that labor has declared war. In any event, the odds are that Prof. Dunlop's committee, if it meets again, will find all the labor seats empty.

## GOVERNMENT

### Marbleization Weakening All Government Systems

It's hard to tell these days where federal government ends and state and local governments take over, states a recent report by the Advisory Commission on Intergovernmental Relations.

The commission suggests that now is the time to do a little reorganizing and cut down on what it calls "marbleization," or mixing of the responsibilities and activities of federal, state, and local governments.

"A critical indirect effect of marbleization has been the gradual weakening of the representative character of

our governments," the ACIR report emphasizes.

"These trends, combined with older and continuing functions and structures of the three governments, suggest that the nation has evolved into a new American federal system with a transformed and terribly complex network of intergovernmental relations."

Specifically, the commission calls for the consolidation of the more than 448 federal grants-in-aid into a smaller number, a careful watch on intergovernmental standards and procedures, and measures to simplify applications for federal assistance programs.

## BUSINESS TRENDS



The "Manhattan Island" dredge

### Dredgers Modernize to Compete With Engineers

The dredging industry, in response to a congressional directive that the Corps of Engineers open up more work to competitive bidding, is building new equipment such as self-propelled, split-hull, hopper dredges.

The "Manhattan Island," owned and operated by the Great Lakes Dredge and Dock Co., is the first of its type to be privately owned in the U.S. in more than half a century. The industry expects to phase out federally owned equipment as it demonstrates its ability to take on federal work.

### Productivity Center Functions Dispersed

The one government body solely concerned with the nation's lagging productivity ends its three-year life this month. The National Center for Productivity and Quality of Working Life will have some of its duties parceled out to the Commerce and Labor de-

partments by the Carter administration.

One business group stepping in to fill the vacuum is the new Productivity Center established and run by the National Chamber.

With most of the nation's 20 or so private and university-affiliated productivity centers concentrating on worker satisfaction and plant productivity, the National Chamber center will work toward private and public policies and practices that will increase services and products without increasing work hours and depleting vital resources such as oil.

## PERSONAL BUSINESS

### GAO Designs Simpler Income Tax Form

The General Accounting Office has officially recognized what just about everybody already knew: Income tax forms are written in language that is, to put it mildly, hard to understand.

"Almost 50 percent of all taxpayers had someone else fill out their tax forms for them during the 1977-78 tax filing season," the GAO reported. This was caused, it claimed, by disorganized, cluttered forms and by the fact that the Internal Revenue Service is more concerned with having the forms reflect tax law than with making them readable and understandable.

GAO proposed a new look and simpler language for the forms. For example, one provision on a current IRS form reads:

"No credit is allowed to a nonresident alien unless the nonresident alien and his or her spouse who is a citizen or resident of the United States elect to be taxed on their worldwide income and file a joint return."

The GAO would change this to:

"Nonresident aliens may receive the credit only if they are married to a resident or citizen of the U.S.; and they file a joint return; and they include all worldwide income on that joint return."

The IRS, which for years has tried nearly everyone's suggestions to make tax law understandable without too much success, says it appreciates the GAO's comments.

"We agree that additional improvements can be made and that outside consultants may provide useful perspectives and assistance," IRS says, "and we will take steps to achieve further simplification within a balanced tax administration program." □



## Should Regulatory Laws Cover Congress?

**O**NE PROMINENT INSTITUTION is routinely excluded from the laws Congress enacts to regulate business and other sectors of national life. That institution is Congress itself.

The national legislature has excluded its 535 members and 16,500 employees from coverage under such sweeping regulatory laws as the Occupational Safety and Health, National Labor Relations, Equal Pay, Fair Labor Standards, Civil Rights, Equal Employment Opportunity, Freedom of Information, and Privacy acts.

Most members of Congress argue that the exclusions are both constitutionally and managerially sound.

Constitutionally, they say, the doctrine of separation of powers does not permit a process under which enforcement agencies of the executive branch would police the activities of the legislative branch.

The managerial argument holds that there is a special relationship, not found in business, between members of Congress and their employees.

Individual members and committee leaders, that argument goes, must be free to hire individuals who are ideologically and politically compatible, willing to work long and irregular hours, and qualified to deal with matters ranging from constituent problems back home to world affairs.

Those factors, most members of Congress say, make it essential that they have the broadest possible latitude in hiring and firing employees and in setting the conditions under which those employees work.

But a few members have begun to question the assumption that Congress should be routinely exempted from regulatory laws simply because obeying them might be inconvenient. These

members also point out that Congress and its employees are subject to the federal criminal and civil laws enforced by the executive department; the separation-of-powers doctrine is no real constitutional basis for exempting them from regulatory laws.

Sen. Patrick J. Leahy (D-Vt.) has introduced legislation to eliminate the exemptions Congress has granted itself from the regulatory laws. Under his bill, members and employees of Congress would also lose their exemption from paying social security taxes.

"Simple equity and fairness demand passage of this legislation," Sen. Leahy said in introducing his bill. "It is time that we in Congress begin to live by the same rules we have set for others. We should no longer allow a double standard."

Should Congress be subject to regulatory laws? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Wilbur Martin, Editor  
Nation's Business  
1615 H Street N. W.  
Washington, D. C. 20062

Should Congress be subject to regulatory laws?

☐ Yes ☐ No

Comments:

Name \_\_\_\_\_ Title \_\_\_\_\_

(PLEASE PRINT)

Company \_\_\_\_\_

Street address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_



# 'I know why I smoke'

"There's only one reason I ever smoked. Good taste.

"So when I switched to low tar, I wasn't about to give that up. If you don't smoke for taste what else is there?

"But there was all that talk about tar.

"Unfortunately, most low tar cigarettes tasted like nothing. Then I tried Vantage.

"Vantage gives me the taste I enjoy. And the low tar I've been looking for."

*Vince Dougherty*

Vince Dougherty  
Philadelphia, Pa.



Regular, Menthol,  
and Vantage 100's.

Warning: The Surgeon General Has Determined  
That Cigarette Smoking Is Dangerous to Your Health.

FILTER 100's: 10 mg. "tar"  
0.8 mg. nicotine, FILTER,  
MENTHOL: 11 mg. "tar", 0.8 mg. nicotine,  
av. per cigarette, FTC Report MAY '78.



# MOTOROLA MAKES A TREASURE

Nigeria has more people than any other nation in Africa. Indeed, it's one of the ten largest nations on earth.

Yet, incredibly, vast stretches of its 357,000 square miles had yet to be adequately mapped.

For years, the government of Nigeria tried to get the job done with conventional aerial photography.



But much of this part of the world swelters under an almost continuous cloud cover. And in

northern Nigeria, near the Sahara, a dust cloud twelve thousand feet high obscures the earth for months at a time.

They turned the problem over to Motorola—and got the job done in only five months.

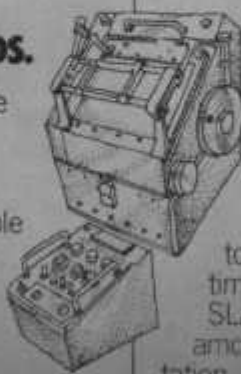
## ELECTRONICS SEE THROUGH CLOUDS.

The equipment that made the difference was Motorola's Side-Looking Airborne Radar: SLAR.

It has three remarkable virtues.

It can see through the cloud cover, day or night.

It looks sideways, to allow simultaneous mapping from both sides of the aircraft. The images that result show the land in striking detail.



## ELECTRONIC EYES FIND TREASURES.

And SLAR displays its images instantly to the sensor engineer aboard the aircraft. Instead of having to wait for pictures to be developed, he knows immediately whether or not he has to make another pass over the same terrain.

SLAR mapping gave Nigeria a new assessment of her natural treasures.

For instance, an inventory of her farmland and timber resources. Since SLAR can actually differentiate among several types of vegetation, it helped identify forests containing ebony, mahogany and rubber trees.

And it helped identify geological structures that could mean

Plantations & Logged Areas

Village of Sapele, Nigeria

Hardwood High Forests

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# MAP OF NIGERIA.

the presence of unexploited oil, gas and mineral deposits.

## THE ELECTRONIC MIRACLE: A MICROCOMPUTER.

Further developments have been made on this remarkable system. At the heart of Motorola's most advanced SLAR is a tiny electronic miracle: a Motorola microcomputer.



A microcomputer, drawn larger than life.

The microcomputer is one of the latest demonstrations of Motorola's fifty years of electronics expertise. And you'll find the technology that made it possible in many of the things we make today.

For Motorola is no longer just the company that put radios into cars nearly fifty years ago—

although we now market hundreds of models of two-way radios.

Nor are we just the company that put popular-priced TV sets into American homes—in fact, we no longer make home TV sets here at all.

## AN ARRAY OF ELECTRONIC ADVANCES.

Now, Motorola is not only one of the world's largest manufacturers dedicated exclusively to electronics, but also one of its foremost designers of custom and standard semiconductors. And Motorola microelectronics are working in a remarkable array of products.

For instance, a coronary observation unit that enables paramedics at the scene of an accident to transmit a victim's

EKG directly to a nearby hospital.

A Digital Voice Protection system that keeps criminals from tuning in on police radio communications.

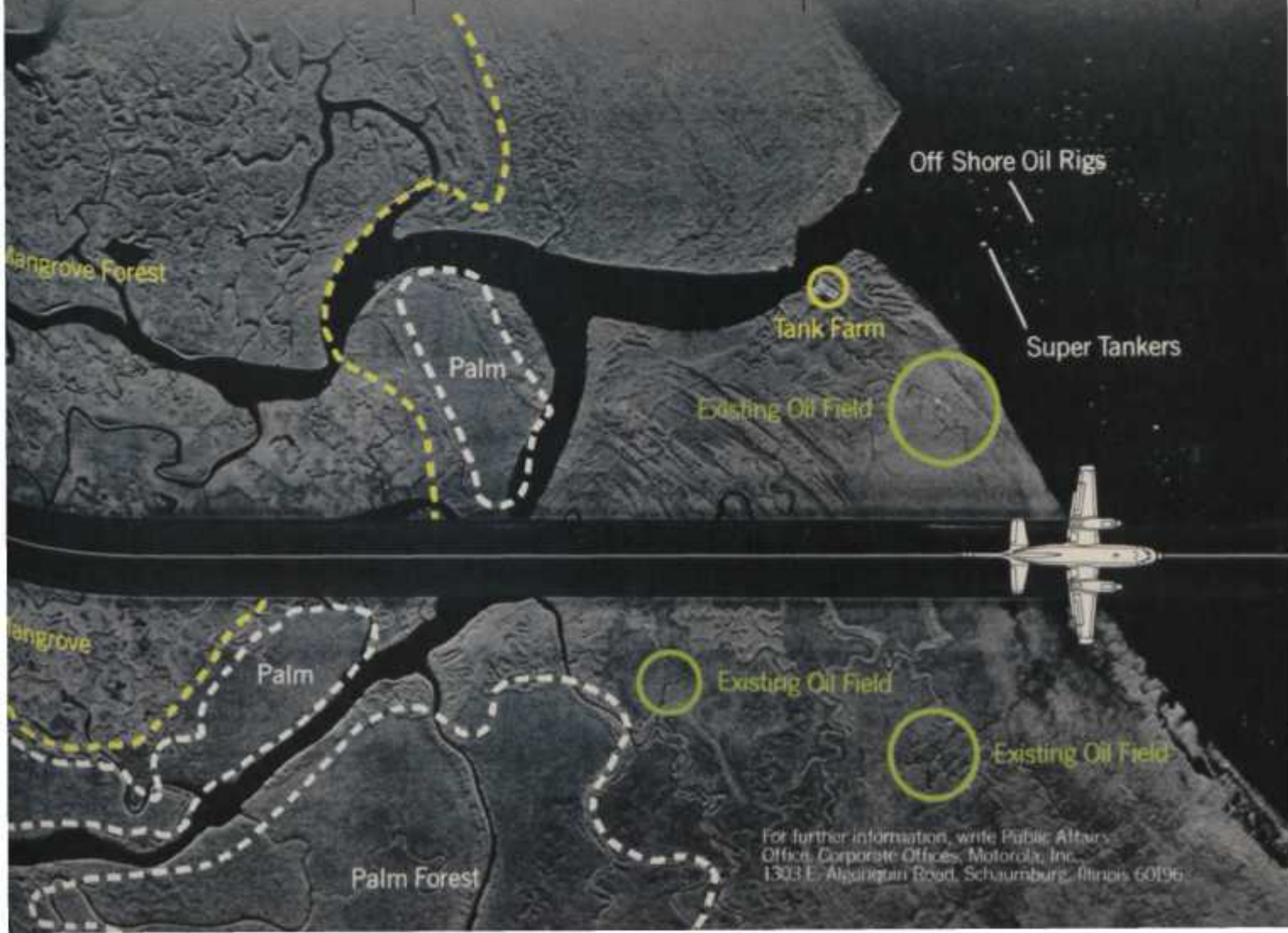
Even lightweight pagers that help busy people keep in touch while they're on the go.

And, of course, a device that's helping a nation like Nigeria take a realistic inventory of hidden natural resources.



## MOTOROLA

**Making electronics history  
since 1928.**



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PHOTO: ELIZABETH J. GREENGLASS

*From flowers to general store, from delicate hand-tooling to complex machinery, small business includes almost every activity imaginable. Millions of American men and women who operate the nation's small businesses are becoming more active politically and are gaining new recognition as a force to counter the ever-growing intrusion of government. Among the goals of small business is a tax policy which will foster growth.*





# Small Business Shows Big Clout

Robert Gray

**"W**E FEEL this bill is a huge union power grab, an effort to shore up declining union membership at the expense of business. The target is unmistakably small business."

That statement from the Wyoming Retail Merchants Association was read on the Senate floor during the long and heated debate over federal labor-law changes sought by the AFL-CIO and opposed by business.

The Wyoming business people had added their voices to the hundreds of thousands of other small business men and women throughout the country who opposed the so-called reform bill that was designed to make it easier for unions to organize and harder for employers to resist organization.

The extent to which small business joined in aggressive opposition to the bill, making its views known to members of Congress, was a major factor in the demise of the bill. The legislative battle came down to a contest between small business and big labor, with small business prevailing.

## Emerging political force

"We couldn't have done it without the crucial participation of small business," said G. John Tysse, an associate labor counsel for the Chamber of Commerce of the United States, which led the successful fight on behalf of the business community against the labor measure. "Small business made the difference."

The outcome of one of the most important labor-law battles in congressional history spotlighted small business as an emerging political force

and as a vital economic force beset with many problems.

In the political sector, the owners and operators of the nation's small businesses had perceived that the labor-law revision bill was simply a device to facilitate unionization of their businesses.

## Torrent of letters

These employers marshalled an all-out drive against the bill, which had been passed in the House and was given a good chance of approval in the Senate.

Small business people contacted their senators in person, both in Washington and during their visits back home. They sent a torrent of letters, telegrams, and telephone messages opposing the measure. They rallied additional support from their employees, customers, suppliers, and others concerned about the threat of still greater union power.

In the showdown, the prolabor forces failed in repeated efforts to shut off debate. The bill was pulled off the floor. When compromise efforts proved unsatisfactory to both sides, AFL-CIO President George Meany conceded the measure was dead for this session of Congress.

Sen. Orrin G. Hatch (R-Utah), leader of the bloc that prevented passage of the bill, declared after the sixth cloture vote failed: "Small business has won the greatest victory in its history."

At the same time, other developments are demonstrating that small business is winning a new visibility

and attention for its problems and concerns. Among those developments:

- President Carter has called a White House Conference on Small Business to be held in January, 1980.

- A House Small Business Committee panel has begun a series of comprehensive hearings on the future of small business, aimed at resolving its problems.

- The nation's largest business federation, the Chamber of Commerce of the United States, is continuing its major expansion of programs serving the small business community and has submitted to the President specific recommendations to help small business.

- Congress is considering legislation to require that every new federal regulation be accompanied by a statement detailing the potential economic impact on small business. The business community supports the measure but would like it to be made even stronger.

- The Small Business Administration has established the office of chief counsel for advocacy, whose duties include being a small business ombudsman before other federal agencies.

- A National Chamber leader who has made the concerns of small business owners his top priority reports that they "are banding together under their chambers of commerce or business associations to work more effectively to influence public policy. The rate of improved organization is in itself a sign of great significance."

President Carter said the White House Conference on Small Business would take up issues "relating to the fostering of small business and the ex-



PHOTO: GEORGE JAMES



Tampa businessman Frank L. Morsani, chairman of the Chamber's Council of Small Business, checks in at the White House for a meeting on small business issues.

pansion of opportunities for entry into small business enterprises."

A Small Business Conference Commission will hold a series of local and regional meetings in the next year to identify the specific issues to be discussed at the conference and to seek candidates for appointment as delegates to the White House meeting.

A majority of the delegates chosen will be engaged in small business, but others interested in small business concerns such as government regulators, financiers, consumer advocates, and academic representatives will also be appointed.

Rep. Neal Smith (D.-Iowa), chairman of the House Small Business Committee, says that "members of Congress are beginning to understand better the fact that small business is terribly important in this country." Small business is now receiving more attention, he says, particularly in the area of raising equity capital.

#### Hearings probe problems

In the Capitol Hill hearings on the future of small business, a subcommittee of the House Small Business Committee is taking testimony on what the subcommittee chairman, Rep. John B. Breckinridge (D.-Ky.), describes as "the problems and the contributions to



Rep. Neal Smith (D.-Iowa), chairman of the House Small Business Committee, says Congress is gaining a new appreciation of the importance of small business.

our economy and our society of small business."

Rep. Breckinridge said that the hearings would lead to "legislative and administrative policy proposals designed to ensure the role of small business in our economy."

He also noted: "The vast majority of the nation's small businesses does not have the capital to hire the necessary statisticians, economists, futurists, and other professionals to tell them how to plan or what changes are likely to occur. One of the by-products, hopefully, of the hearings is that small business

PHOTO: GEORGE JAMES



Small Business Administrator A. Vernon Weaver notes that small business employs 55 percent of all workers and provides a living for more than 100 million people.

will be able to see what some of the nation's leaders in these areas have to say."

While hopeful that the hearings will lead to constructive action benefiting the small-business community, Rep. Breckinridge, other committee members, and various witnesses are realistic in recognizing that the many problems and concerns facing small business will not be easily or soon resolved.

#### SBA lists key questions

A. Vernon Weaver, administrator of the Small Business Administration, said that five key questions must be addressed "if small business is to prosper and expand its role in our economy." Those questions are:

- Will a tougher antitrust policy hold back the trend toward concentration of business in the economy?
- Will the regulatory and paperwork burdens on small business people



## A DUCK BY ANY OTHER NAME...



*A duck and small business have a lot in common. William K. Eastham, former National Chamber chairman, was told when presented with this model of a duck.*

When William K. Eastham completed his service as chairman of the Chamber of Commerce of the United States, small business members of the federation presented him with a gift for his many efforts on their behalf.

The gift was a replica of a duck, to add to his extensive collection of duck models and paintings. Mr. Eastham is concerned with the conservation and preservation of the duck population, but there was another angle to the choice.

In making the presentation, Frank L. Morsani, a National Chamber director and chairman of its Council of Small Business, noted the many similar traits between the small businessman and the duck.

"First, the duck is essentially a swimming bird. However, like a small businessman, the duck can fly when given an opportunity. Or he can walk on solid ground. Or he can dive.

"By land, sea, or air, he can retreat or move forward as conditions warrant.

"Another similarity: The duck is not a thing of beauty or elegance or grace. He is not a swan or a peacock but a duck. And he doesn't pretend to be more.

"The duck finds himself a frequent target—not unlike small business.

"The duck does what many small business owners would like to do—go south in winter."

In fact, Mr. Morsani added, businessmen might well emulate two other traits of ducks:

"First, the duck makes a lot of noise. And when he does, it is not a pretty sound, but it is unmistakable.

"More small business people need to make noise.

"Second, the duck finds safety in a flock; small business people tend to be loners. We need to join a flock for safety."

be reduced by eliminating unnecessary, time-consuming forms that force small businesses to expend resources on additional personnel?

- Will the markets for venture and equity capital be reopened for small business, which is now effectively barred from the stock market?
- Will changes in tax laws benefit small business, encourage the expansion of existing businesses, and promote the start of new businesses?
- Will stronger emphasis on federal procurement from small business increase its share of federal contracts for goods and services?

The SBA administrator notes that the millions of small businesses in the country represent 96 percent of all business. "Virtually all Americans are served by small business in some form or another," he says.

"Small business provides jobs for 55 percent of the work force and a livelihood for more than 100 million people. Although Americans do understand and appreciate the role small business plays in preserving competition and providing jobs, over the past three decades the economic climate for new small enterprise has become cloudy."

That condition was described in detail at the Senate hearings by William K. Eastham, president of S. C. Johnson

& Son, Inc., and, at the time of his testimony, chairman of the National Chamber. He is now chairman of the executive committee.

Mr. Eastham noted that National Chamber membership is composed primarily of small businesses, with 80 percent of member firms employing fewer than 100 people.

Business membership in the federation has increased from 48,922 to 73,345 companies in the past three years, a gain of 24,423 or 50 percent.

More than 16,000 of the new member companies have fewer than 50 employees, and nearly 2,700 have between 50 and 100 workers. The rest are larger firms.

Mr. Eastham's statement to the subcommittee covered taxation, inflation, and regulation:

**Taxation.** "Current federal taxation shrinks the general availability of investment funds, prevents the small entrepreneur from retaining enough company earnings for growth, and treats capital costs less favorably than most other industrialized nations do," Mr. Eastham said.

"Payroll taxes have grown to a level that stifles development, with frightening increases ahead. Estate taxes all too often cripple or force the sale or closing of successful, family-owned

businesses and farms when the founders retire or die."

**Inflation.** "Small business is in the middle of supply costs rising beyond its control and the resistance of a market beyond its control. Inflation erodes savings and discourages savers. . . . Inflation cannot be stopped by an individual entrepreneur or by all small business acting in concert. The government must control inflation."

**Regulation.** "Small business owners fear regulation, and the American people have reason to fear its consequences. When one detailed requirement is used as a hunting license to find other violations, understandably, owners of small business react with feelings of outrage. They cannot be blamed for losing respect for individual regulations and for the governing process in general."

### Bold new steps

Mr. Eastham told the subcommittee that a report to President Carter on "The State of Small Business," prepared by the National Chamber's Center for Small Business, contained specific proposals for "bold new steps that must be taken if the nation is to avoid the loss of a vitality which only small business can give its economic and community life." The report,





Sen. Orrin G. Hatch (R-Utah), a leader in the fight against labor law changes, says small business won a historic victory when the legislation failed to pass.

which Mr. Eastham presented at the White House, calls for tax revisions, reduction of regulatory and paperwork burdens, and anti-inflationary steps such as a balanced federal budget.

The Chamber's report also called for a White House Conference on Small Business, the parley since ordered by the President.

The National Chamber's tax-revision proposals to benefit small business include reductions in the corporate and capital gains tax rates, an increase to \$200,000 in the corporate tax exemption, and a decrease in the normal tax rate on the first \$50,000 of income.

Other proposals would liberalize depreciation provisions, make the investment tax credit permanent, raise the limit on used equipment to \$200,000, increase to \$500,000 the minimum accumulated earnings credit, allow a net operating loss carry-back of three years and a carry-forward of eight years, permit a rollover deferral of the tax on the sale of equity in a small business if proceeds are reinvested in other small businesses, and double the

current limits on special treatment of capital losses in small business investments.

"Despite the generally unsatisfactory condition of small business, there is a determined optimism on the part of many owners that seems to ignore or defy difficulties," Mr. Eastham says.

#### Successful businessman

Another optimistic note comes from Milton Stewart, the new counsel for advocacy in the Small Business Administration, who was a successful businessman before entering government.

Mr. Stewart was a recent guest on the National Chamber radio program, "What's the Issue?" He joined Dr. Richard L. Leshner, National Chamber president, in a discussion of SBA, which is celebrating its 25th anniversary.

Mr. Stewart commented: "I think in the next 25 years we are going to see the entrepreneurship climate in America improve, at least as much as it has in the past 25 years. I think the government is going to get more sensible

## SMALL BUSINESS ACTIVISTS AT WORK

The rapidly growing activism of America's small business owners will be demonstrated dramatically next February when the first annual national conference of Small Business Councils is held in Washington.

The gathering will bring together small business men and women from all parts of the country to discuss mutual problems and possible solutions, draft a legislative agenda, and meet with members of Congress to urge action on that agenda.

Delegates will represent the Small Business Councils, which have been organized by local and state chambers of commerce throughout the nation, and various other organizations active for small business.

The Chamber of Commerce of the United States is arranging the conference, which is an outgrowth of the business federation's expanded activities on behalf of small business. Details will be announced later.

In recent years, the National Chamber has established the Council of Small Business and the Center for Small Business. The council is made up of 58 executives from smaller companies, trade and professional

associations, and chambers of commerce. Council members' goals are to:

- Identify issues and concerns important to small business and make recommendations on National Chamber policies in these areas;
- Develop programs to meet the needs of small business; and
- Advise the National Chamber on communicating with small enterprises.

The council also oversees the activities of the Center for Small Business, which is the operating arm of the stepped-up Chamber program "to serve more fully the needs of small business members and to harness more effectively the strength of such members to advance legislative and other programs of the federation."

Ivan C. Elmer, director of the center, notes that local and state chambers of commerce are establishing Small Business Councils or similar units in increasing numbers, from 300 to 550 in the past year alone.

While efforts on behalf of small business are being expanded at all levels, Mr. Elmer emphasizes that "we are not seeking in any manner to

draw divisions between small and big business."

In fact, he says, the increased activity by small business demonstrates the broad common interests among businesses of all sizes.

"Executives of small businesses are gaining new insights into how developments in Washington in economic and tax policy, labor law, regulation, and paperwork affect all businesses.

"The smallest and the biggest companies suffer from inflation that raises costs and erodes profits and from tax policies that discourage the investment needed to expand or even to remain competitive."

On the other hand, he adds, executives of larger companies are developing a new awareness of the manner in which millions of small business owners can mobilize effectively on issues important to all business.

"There is a growing sense across the entire business spectrum," Mr. Elmer says, "of the need for a common agenda for all business and for a common action plan to put that agenda into effect."



## PLANNING THE CONFERENCE AGENDA

Although the White House Conference on Small Business is well over a year away, President Carter has already directed federal agencies to begin the planning and implementation of specific programs to carry out the conference goal of improving the climate for smaller enterprises.

He has told heads of executive departments and agencies:

"By the time of the conference, I would like to be able to show that the relationship between the federal government and the small business sector has improved significantly."

The President ordered each agency to develop "one important advance" in the small business area and have that development completed or well under way by the end of next year.

"The initiative you select should be relevant and important to your constituency and to the small business community in general," the President said. "An agency involved in regula-

tion of small companies might, for example, simplify its regulations. Agencies with substantial procurement activity might increase their procurement from small businesses.

"Other areas for programs include: capital development; governmental regulation and paperwork; technology and industrial innovation; management assistance; minority enterprise; antitrust, consumer affairs, and competition; international trade policy; agricultural policy; manpower and human resources development; and natural resources, energy, and tax policy."

Working closely with the White House in these preparatory stages of the small business conference are Dr. Richard L. Leshner, president of the Chamber of Commerce of the United States, and Frank L. Morsani, a National Chamber director and chairman of its Council of Small Business.

about what it does. I think big business and big labor are going to get more sensible about what they do. And I think the small business community is going to rise to its opportunities."

He says that SBA has taken on three new missions—equal opportunity for all segments of the population, including minorities, women, and older individuals; increased emphasis on management assistance; and an "advocacy mission to see what we can do to keep the government from bending small business out of shape quite as often as it does."

### Advocacy encouraged

He added that Congress has made it plain that the advocacy mission is to be an important part of SBA activities. His office, Mr. Stewart says, is responsible for:

- Advising other government agencies on how to change their policies to aid and encourage the establishment and continuity of small business.
- Serving as the small business ombudsman, to ensure that the viewpoints of the small business community and individual owners are made known to federal agencies contemplating regulatory actions.
- Informing small business people about federal programs that are available to assist them.
- Conducting research on subjects

that affect the growth of small business.

The major private-sector activity on behalf of small business is found in the National Chamber, which has established two new operations—the Council of Small Business and the Center for Small Business.

The council, a policy-action group made up of executives of small businesses, associations, and chambers of commerce, is the voice of small business in Washington, its leaders explain. Council goals are "to gain more visibility for the needs and importance of small business, to mobilize more of the army of small businesses in an organized effort, and to influence legislative decisions at every level of government."

The Center for Small Business is a staff unit which assists the council and provides liaison with the federal government, other small business groups, and the Chamber's operating units.

Mr. Eastham, of the National Chamber, sums up the ultimate goal of all the many organizations and individuals concerned about the future of America's smaller enterprises:

"The small businessman is not asking for handouts. He is just asking for a fair chance to make the grade." □



To order reprints of this article, see page 94.

## How to Write a Letter to Washington

Members of Congress are not only receiving more and more mail each year, they are also paying more and more attention to what their constituents tell them ["How Congressmen Respond to Mountains of Mail," May].

Letters do get read, and they do make an impact. Several Washington lobbyists have attributed some of business's recent successes in Congress to the constituents who took the time to write.

How a letter is written is important. Here are some tips on how to put clout into your letter to your senator or representative:

- Keep your letter brief and stick to only one subject. Well-chosen thoughts on a single issue will have more impact than trying to cover a spectrum of issues.
- Type, if possible, on your business or personal stationery. Also, make sure your exact return address is on the letter as well as the envelope.
- Identify the issue clearly. Do not just list a bill number. Include the name of the legislation or a paragraph outlining it.
- State clearly why you are writing. Tell how the legislation would specifically affect your business, family, or whatever. For example, if you own or manage a gas station and pending legislation deals with gas stations, explain how you think the legislation would affect gas stations.
- Avoid form letters. Personal letters are much more effective. However, a form letter is better than no letter.

- Ask your congressman to state his position in his reply to you.
- Write when an issue is active in Congress, such as when hearings begin in a committee or before a bill is scheduled for floor action.

- Be polite, and give your congressman a pat on the back if possible. Do not be negative or threatening.

The addresses are simple: The name, U. S. Senate or House of Representatives, Washington, D. C. Zip codes are 20510 for the Senate and 20515 for the House.



# Specter of Inflation Looms Over Budget Fight

Despite economic growth and declining unemployment, Congress is in a quandary over persistent inflation

By William Kroger

**T**HE BATTLE over the federal budget reaches a crescendo this month when Congress votes to lock in how much will be available for the government to spend in fiscal 1979, which begins in October. The stakes are high, running in the hundreds of billions of dollars.

For months, various interest groups have been rushing to congressional committee hearings, making pleas for budget increases—or at least no cutbacks in any programs.

The specter hanging over the budget infighting is inflation, and a major element in the battle centers on the federal government itself: How big should the government be, and how much should it control the American economy?

The Chamber of Commerce of the United States, which contends that the federal government's actions and policies are the prime causes of inflation, has prepared a comprehensive plan to fight inflation. The plan spells out actions that government, business, labor, and the consumer should take to control inflation ["A Battle Plan Against Inflation," August].

Speaking for business, Shearon Harris, board chairman of the National Chamber, told members of Congress

recently that the federal government is sapping the lifeblood of the American economy.

But some would differ with Mr. Harris, arguing that solutions to the inflation plaguing the U.S. must come from the private sector.

One thing is certain: There is disagreement.

The U.S. is now entering the 42nd month of recovery from the last recession, which hit bottom in March, 1975. The present period of sustained growth is longer than any other in peacetime since World War II. Coupled with this has been a declining unemployment rate, down to below six percent this spring from 9.1 percent in May, 1975.

Growth and decreasing unemployment are generally good signs, but with these two factors are elements that have economists, businessmen, politicians, and government leaders in a quandary.

Inflation is high, averaging 10.4 percent at an annual rate for the first six months of this year. America's balance of trade is very much out of kilter, with imports exceeding exports by more than \$16 billion for the first six months of this year.

The strength of the dollar against foreign currencies has weakened dras-



Shirt-sleeved Robert N. Gialmo (D.-Conn.), chairman of the House Budget Committee, listens to National Chamber spokesmen testify on the fiscal 1979 budget. At right is Rep. Delbert L. Latta (R.-Ohio).





Also testifying was James T. McIntyre, Jr., director of the Office of Management and Budget.



Calling on Congress to repent of its spending ways, National Chamber Chairman Shearon Harris tells House Budget Committee members that the federal government is sapping the lifeblood of the American economy.

tically in recent months, causing great concern in financial circles and elsewhere.

Also, the rate of increase in the productivity of the American worker has been going down. Compared with other major noncommunist industrial powers, the gain in American productivity is at the bottom, in a dead heat with Great Britain's. The growth of productivity in Italy in the past ten years is more than double that in the U. S. In Japan, it is about four times greater.

### Economy fluctuates

All these elements add up to perplexing times for those who must find solutions to inflation. History has shown how delicate the balance between inflation and recession is; in the past decade, efforts to control inflation have caused the American economy to whipsaw.

In 1966, following a boom in the economy, inflation jumped to high levels. A subsequent tightening of credit and a tax increase produced a mini-recession. In 1968, America was back in a boom, but inflation had returned. Again, credit was tightened and taxes increased. Two years later, another recession, followed by yet another boom, again accompanied by inflation.

Compounding the problem was the 1973 Arab oil embargo and the resultant quadrupling of oil prices. Prices for nearly everything climbed, the U. S. economy plunged, and double-digit inflation became a household word.

Efforts to combat the ensuing recession, mainly by pumping billions of dollars into the economy, began to take hold. By March, 1975, the economy had started slowly upward. It has been going up ever since, but the big question is how long the recovery will continue. One Washington economist remarked recently: "We're on borrowed time." Inflation is again public enemy number one.

What is to be done?

President Carter's plan to combat inflation consists of several elements.

The administration recognizes that the federal government is an important contributor to inflation, says Barry P. Bosworth, director of the Council on Wage and Price Stability.

Consequently, he told a congressional committee, the administration is working "with Congress to maintain a responsible long-run budgetary policy that balances concern for sustained economic growth with a determination to avoid excessive surges in aggregate demand relative to supply."

The President has reduced the size of his proposed tax cut and has indicated he will veto budget bills which exceed his requests. Both actions have been questioned by business, which favors larger tax cuts and more spending cuts.

### Regulations simplified

The President has also called on federal agencies to simplify regulations and to "assure that their objectives are achieved in the most cost-effective manner."

Regulations by federal units such as the Occupational Safety and Health Administration and the Environmental Protection Agency have added billions of dollars to the cost of goods in recent years. Regardless of the merits of the regulations, added costs are inflationary. In some areas, business leaders contend, the added costs outweigh any benefits.

As part of his anti-inflation plan, Mr. Carter has frozen the salaries of White House senior staff and has recommended a 5.5 percent cap on this year's federal white collar pay raise. These two actions, some economists say, are more symbolic than effective in fighting inflation. A major part of the President's program, and one on



which business and the administration differ, involves the private sector.

Mr. Bosworth told the committee: "While the federal government must do its share, it alone cannot solve the problem. Cooperation of the private sector is vitally needed."

The President has called on business to hold down price increases and on labor to hold down wage demands.

Such efforts are not easily accomplished and may not be fully justified. Labor contracts in the U.S. are generally drawn up for more than one year. Labor officials say that because no one knows what will happen next year or the year after, they must get what they can for their members now. Also, with prices going up, bargaining officials are under pressure to win substantial wage hikes.

The administration's approach to this dilemma has been to jawbone business and labor; this tactic has not worked well so far. Such lack of effectiveness has led many business people to believe that mandatory wage and

price controls may be just around the corner.

Another area of the President's program deals with efforts to combat special inflationary problems such as the large increases in the cost of medical care, food, transportation, and housing.

Mr. Bosworth admits that administration efforts in fighting inflation have not been very successful, but, he adds, it is too soon to expect major results. "From the outset we were aware that it would take some time simply to make a modest start. But I will have to concede that the clock is ticking. I honestly do not feel that we have a lot of time left," he told the committee.

#### Dim view of government

The latest business confidence survey conducted by the National Chamber and the Gallup Organization shows that key business leaders are quickly losing confidence in the federal government's ability to fight inflation and unemployment. The survey shows that 68 percent expect the government to do a poor job.

The reasons are many.

Business people point to the growing federal deficit, which, according to most economists, should be shrinking during a recovery period. They also point to what they call the very poor track record of Congress and the executive branch in such areas as social security, federal pay, minimum wage, and farm-price supports, all of which have been climbing in recent years.

Boosts in each of these areas have increased employer costs and reduced investment capital. This is one reason, say economists, why the growth of American productivity has been so modest.

Coupled with new government programs and increased subsidies is the ever-growing federal budget. Federal expenditures in 1955 totaled \$68.5 billion. This fiscal year, according to the Office of Management and Budget, expenditures are expected to be \$452.3 billion.

#### Almost one fourth to taxes

To help feed the growing federal budget, taxes have gone up. Mr. Harris, of the National Chamber, told members of the House Budget Committee recently that 24 percent of personal income now goes to government coffers at all levels. The growing federal budget and subsequent increases in taxes "endanger the very basic free-

doms on which this economy was founded," he said.

Mr. Harris called the federal government's deficit spending "one of the major causes" of inflation. Other causes he pinpointed are increases in the minimum wage, farm subsidies, and property taxes, as well as the added cost to business—and eventually consumers—of governmental regulation.

He also expressed concern about the reluctance among business people and the public to invest. "If we're going to convince the public, the fight against inflation must be a sustained effort over a period of time."

He called on the committee to provide sizable tax relief, which would help spur private investment, and to limit spending during fiscal 1979 by cutting the budget.

Mr. Harris, speaking on behalf of the National Chamber, recommended \$25 billion to \$30 billion in tax relief on an annual basis, targeting one third of that relief to encourage job-creating, capacity-expanding, and inflation-dampening investment. He urged a seven percent limit on the growth of budget outlays, enough to cover current services and prior commitments.

#### Limit federal debt

He also asked for a limit on the growth of budget authority, which, he said, is already building up spending for fiscal 1980 and 1981. He asked the committee to limit the annual federal deficit to \$40 billion, which, he said, is the level required to help bring down inflation and interest rates.

Mr. Harris said that limiting the annual growth of the federal debt to \$40 billion would "reduce the mortgage on the lives of all Americans."

The National Chamber "calls upon the Congress to repent of its spending and taxing ways, to slow down the growth of both taxes and spending, and to aim for a balanced budget by 1982," Mr. Harris told the committee.

Congress has been inundated with various plans to stem inflation and keep the American economy healthy. The administration has put forth a plan; business has done likewise. There are many other plans and many variations as well.

What Congress does should be determined by Sept. 15, the deadline for passage of the second Concurrent Budget Resolution established under the new congressional budget process. The final decision will be a major influence on the U.S. economy for the next few years.

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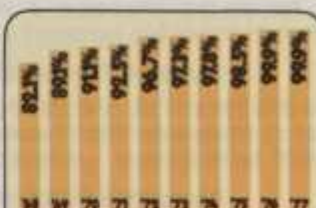
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**BUILT TO STAY TOUGH.**



# Planning Product Publicity Pays Off

By Gerald S. Schwartz

**S**O YOU HAVE a new product—the greatest thing since sliced bread—and are planning to promote it. Naturally, you think of advertising. Then, in an afterthought, you decide to get the public relations department to issue a news release.

Is that news release enough? Perhaps. But too casual an approach to product publicity may bring results that are far less than optimum.

In the past ten years or so, product publicity has gained new respect as an effective tool for building excitement in the marketplace over new industrial products.

One of many companies that has moved more aggressively into publicity for its products is Milwaukee-based Rexnord, Inc., a major manufacturer of industrial components and equipment. "We have found that public relations, when coordinated with division marketing plans, enhances our position in the marketplace," says Carol Jean Erwin, a Rexnord marketing public relations official. She adds: "Results improve noticeably when there is sufficient advance planning."

## Better timing

Given a good understanding of the uses of public relations, marketers will make the decision to launch publicity campaigns sooner. Thus, with the long publishing lead times of certain trade magazines, news and feature stories can be better timed to appear when the product is first available, rather than months afterward.

An early decision also means that more sophisticated planning goes into the publicity campaign. Carefully written programs are prepared with specific objectives and orderly media strategies. And focusing on certain goals produces more meaningful results in the quantity and quality of publicity. There is less hit and miss and less exposure only to satisfy someone's ego. All energies are directed toward publicity that encourages sales.

Moreover, there is a greater under-

standing of the value of properly merchandising the publicity. News and feature stories are reprinted and distributed in direct mail packages. Salesmen include reprints in their presentation folders. Distributors receive reprints to affirm their buying decisions. Publicity programs are paraded, the way advertising always has been, at sales meetings and in dealer promotion kits.

Floyd G. Stoegebauer, vice president of marketing for Tri-Wall Containers, of Woodbury, N. Y., a producer of fiberboard and other packaging products, says: "We have found that merchandising publicity reinforces our marketing message and generates additional exposure, enthusiasm, and support inside and outside the company."

What specifically should a marketer considering product publicity expect for his time and money? Here are seven answers:

**1. Speed.** News stories and product photos can be prepared and distributed quickly. Certainly, typing and mailing can be handled faster than typesetting and plate-making.

**2. Flexibility.** This permits you to change your mind quickly, easily, and inexpensively. You can place emphasis on one product feature rather than another without adding to type costs, or you can skip some media without the fear of paying for empty contracted space. Ink eradicator has always been handy for changing the price or catalog number in a press release, but new electronic word-processing systems provide the greatest flexibility.

**3. Credibility.** The American press has a reputation for skepticism, so if a publication writes about a product's advantages, the implication is that it is a product worth buying or investigating.

**4. Readership.** Busy executives flooded with reams of memos, reports, and periodicals must be selective and often skim the table of contents in a magazine for articles of interest. Some

zero in on the new products columns.

**5. Low costs.** The costs involved often amount to little more than the price of stamps, paper, photographs, and perhaps a few long-distance phone calls.

**6. More information.** Since there is no limit to column inches in a press release, much information can be provided to editors, who may opt to publish everything. Product advantages can be explained in great detail.

**7. Results.** Rarely is the same intensive market research that is applied to many advertising campaigns used to gauge the effectiveness of public relations. However, there are ways to evaluate publicity results.

First, publicity produces awareness and recognition for a company and its products, though both are tough to measure. A good starting point is the quantity and quality of stories published. And continual positive exposure in a broad range of media has to have an impact.

Second, publicity can produce specific leads for salesmen to follow up. Readers may respond by telephone or letter, especially if a story tells how to obtain additional information.

## The customers know

The final point is that publicity, because it is not paid space, should be evaluated separately, and differently, from advertising.

"As many times as we've tried, we have yet to specifically measure the value of a dozen or more stories that result from a single news release," says Gerald Rosenberg, president of Condec Corp., Old Greenwich, Conn., a diversified manufacturing and engineering company. "But we do know publicity is working. Customers and prospects are aware of our products and advantages. They know who we are and what we can do for them." □

MR. SCHWARTZ is a senior vice president with Harshe-Rotman & Druck, Inc., a public relations firm.



# How the President Stays Healthy



White House physician William Lukash says Jimmy Carter, like his predecessors, feels that the responsibilities of his office give him an extra responsibility—to stay fit

By Vernon Louviere

**M**OST family physicians would probably envy Dr. William Lukash. He has an almost perfect patient—the President of the United States.

In Dr. Lukash's opinion, Jimmy Carter follows a life-style, developed in his youth, that any good doctor would recommend for middle-aged patients.

The President, he says, is right on target with his weight, follows a sensible diet, exercises regularly, doesn't smoke, drinks ever so modestly, knows how to relax, and has an inner tranquility which results from deep religious convictions.



Dr. William Lukash, who has served the health needs of four Presidents, says that President Carter owes his present good health to habits learned early in life. An active outdoorsman, Mr. Carter enjoys sailing.

Dr. Lukash has had a close hand in the health care of four Presidents. He had the same role in the previous administration that he has now—he was chief physician under President Ford. [See "The Patient Is the President," NATION'S BUSINESS, November, 1974.] And he was assistant White House physician under Presidents Johnson and Nixon.

## An extra responsibility

Interestingly, Dr. Lukash says he has found all four Presidents to be good patients, although they have been



different from one another in many ways. Because of the awesome responsibilities of the office, he explains, each has recognized the importance of striving to stay physically and mentally fit.

A career Navy doctor, Rear Admiral William Matthew Lukash is highly regarded in his field—a specialist in digestive diseases. He is a consultant at George Washington University Hospital, a few blocks from the White House.

At 47, he is as trim as when he played quarterback at Michigan State University. Dr. Lukash received his M.D. at the University of Michigan in 1956 and immediately joined the Navy.

While he is primarily the physician to the President, Dr. Lukash is family physician to all the First Family and oversees the routine health needs of the White House staff.

#### Always nearby

Dr. Lukash accompanies Mr. Carter on all his travels. At the White House, he is always near the chief executive, except at night. Then, if the First Family needs a doctor, it has to call for one as other American families do.

In this interview with a NATION'S BUSINESS editor, Dr. Lukash discusses his most important patient.

**Dr. Lukash, how is the President's health?**

Excellent.

**Any changes since taking office?**

No. Contrary to what some of his colleagues and advisers have indicated, I don't think he is in any way showing any signs of deterioration in office. In fact, I think that, with the kind of scheduled life-style he follows here in the White House, he is in better health today. His meals are on schedule. He has no problem with weight. He eats a well-balanced diet. He doesn't use any medication whatsoever.

**What about exercise?**

He has a time set aside, depending on his schedule, for exercise. He is an avid tennis player. He and Mrs. Carter will play four or five times a week if

the weather is good. On weekends, he likes the pool, especially with Amy and the rest of the family around. When he is at Camp David or at home in Georgia, he likes to hike.

**He is not a golfer like most Presidents?**

Actually, he is a very good golfer. When he was in the Navy in Hawaii, he and his wife played a lot of golf. And he used to golf at the country club in Plains.

**Why doesn't he play anymore?**

Frankly, I haven't discussed this with him.

**Obviously, you don't feel he needs golf.**

Right. The exercise he gets and the satisfaction he derives from other recreation are adequate.

"He continually amazes me with the variety of things that interest him. . . . He keeps his energy level high."

**President Carter's interests are quite varied, aren't they?**

He continually amazes me with the variety of things that interest him. When we were in Paris last winter, Secretary of State Vance arranged a private tour of a museum that was showing impressionistic art. The depth and scope of the President's knowledge regarding the different art collections we saw was surprising. As you know, he is at the Kennedy Center probably more than any other President. His knowledge of classical music and opera is very broad.

**Speaking of music, Dr. Lukash, is there some therapeutic value in the President's listening to taped classical music while he works?**

This is not only a diversion and a release for him, but he gets a lot of pleasure from it.

I should also mention his interests in wildlife, in the outdoors generally. He has studied every tree and shrub on the White House grounds. It could turn out that he will be the greatest naturalist to come to the White House since Teddy Roosevelt. When we are in Plains, and I am strolling in the woods with him, he will identify all the trees, all the berries. These are of profound interest to the President.

**Now that you are serving your fourth President, Dr. Lukash, how would you compare them as patients? Are some better than others?**

Not really. They have all been aware of the need to stay in good health because of their presidential responsibilities. I can say without reservation that at no time and in no personal medical situation have any of these four Presidents not followed my recommendations.

**Does that include their eating habits?**

Yes. The Presidents I have had as patients followed my instructions to the best of their abilities. With President Johnson, weight control was somewhat more difficult. But Presidents do the best they can. They listen, and they heed advice. Sometimes, of course, there are extenuating situations where there are some things of a higher priority that prevent them from complying.

**For instance?**

Well, when President Nixon developed phlebitis in his leg while we were in Egypt during critical Middle East talks.

**He insisted on keeping going, didn't he?**

Yes. We discussed the potential clinical complications if he remained active, and I emphasized the need for





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rest. I was aware, of course, that this was a very important trip for the President. So we did the best we could, and he got through the remainder of the trip without any difficulty.

**Aside from the fact that President Johnson had a heart problem, and that President Ford had an old knee injury which required special exercises, have you laid down the same health rules for all four?**

As you know, there are individual differences inherent in medicine, but considering their sense of well-being, their effectiveness on the job, and their ability to handle the day-to-day problems, there has not been any real differentiation in what I felt was best for them individually.

**Would you characterize President Carter as a very healthy man when he took office?**

Oh, yes. I think that he has the health habits and life-style that should preserve his energy and his responsiveness to the pressures of the job. President Carter has always taken good care of himself.

Many of his good health habits were established when he was a young man, and this has been reinforced by his Naval Academy training, his disciplined approach to life, and the appetite he has for learning, studying, and knowing the why of so many things. He keeps his energy level high.

**What is a typical day's diet for the President?**

He has juice first thing in the morning and coffee when he gets to the Oval Office. He is usually in his office between 5:30 and 6:30, no later. His lunch is generally soup, a sandwich, and salad. That kind of thing. President Carter does not like to eat alone. Usually, he lunches with Mrs. Carter, or with Vice President Mondale, or other friends. About once a week, he will have lunch in the Navy Mess [in the White House] where the rest of the staff eats. For dinner, the President favors beef and potatoes, and he enjoys dessert with his meal.

**Does Mr. Carter select his own menu?**

Not really. The White House chef has a good idea of the presidential

likes and dislikes. Unlike in most previous administrations, the staff has Sunday afternoons off. The Carters have stayed with the old tradition of having their main Sunday meal after religious services. On Sunday evening, the family usually has cold cuts which the kitchen staff has set aside for them.

**Does the President lean toward the type of Southern cooking that may be considered more fattening?**

No. He likes a varied menu. For example, he is fond of lamb chops.

**Dr. Lukash, do you see the President just about every day?**

I do. It usually is nothing more than a wave when the President walks past my office in the morning. Sometimes we have a brief chat, and that's it.

**How often does he get a full physical?**

He gets a complete physical every year at Bethesda Naval Hospital and a routine checkup in between complete physicals.

**Is Bethesda the President's choice because he is an old Navy man?**

No, it is my choice. We are set up for the physical at Bethesda. The presidential suite is there, and we are able to expedite the physical better.

**Mr. Carter doesn't seem to have had as many vacations in office as the three previous Presidents. Is that the case?**

No. He uses Camp David frequently, and that sort of satisfies many of his needs. He likes the mountains. He cycles. He has the privacy and the closeness of his family. The President hikes on the trails, and he and Mrs. Carter play tennis. She is new to tennis. I have watched her progress. She has a marvelous game.

**You used to play golf with President Ford. Do you play tennis with President Carter?**

Yes. Often.

**So these kinds of activities are of considerable benefit in reducing tension?**

By all means. Being so close to his family is of immeasurable benefit to Mr. Carter. His reading, going to the Kennedy Center, things of that nature, all help. I am always impressed with his composure, whether we are in Washington or on out-of-town trips. I

## MAKING YOUR WORK MORE ENJOYABLE

If you picture the typical businessman as fat and overtired, you are wrong. Actually, he is healthier than ever. Consciousness of the need for physical fitness is largely responsible.

That's the opinion of Dr. Michael Halberstam, a prominent Washington cardiologist and editor of "Modern Medicine" magazine. He is a frequent speaker before public groups on the subject of physical fitness.

"Keeping fit is good, not because it protects you against heart disease, because that's unproven, but generally because it makes you feel better and work better," Dr. Halberstam told NATION'S BUSINESS. "I find that almost everything we do is more enjoyable if we are fit."

He offers a few tips to businessmen and women:

- Walk at every opportunity.
- Take a swimsuit along when you travel. Most hotels and motels have pools. Fifteen minutes in a pool is 15 minutes well spent. Swimming promotes flexibility as well as endurance. Flexibility is very important for anyone

over 40. People ought to stretch their muscles.

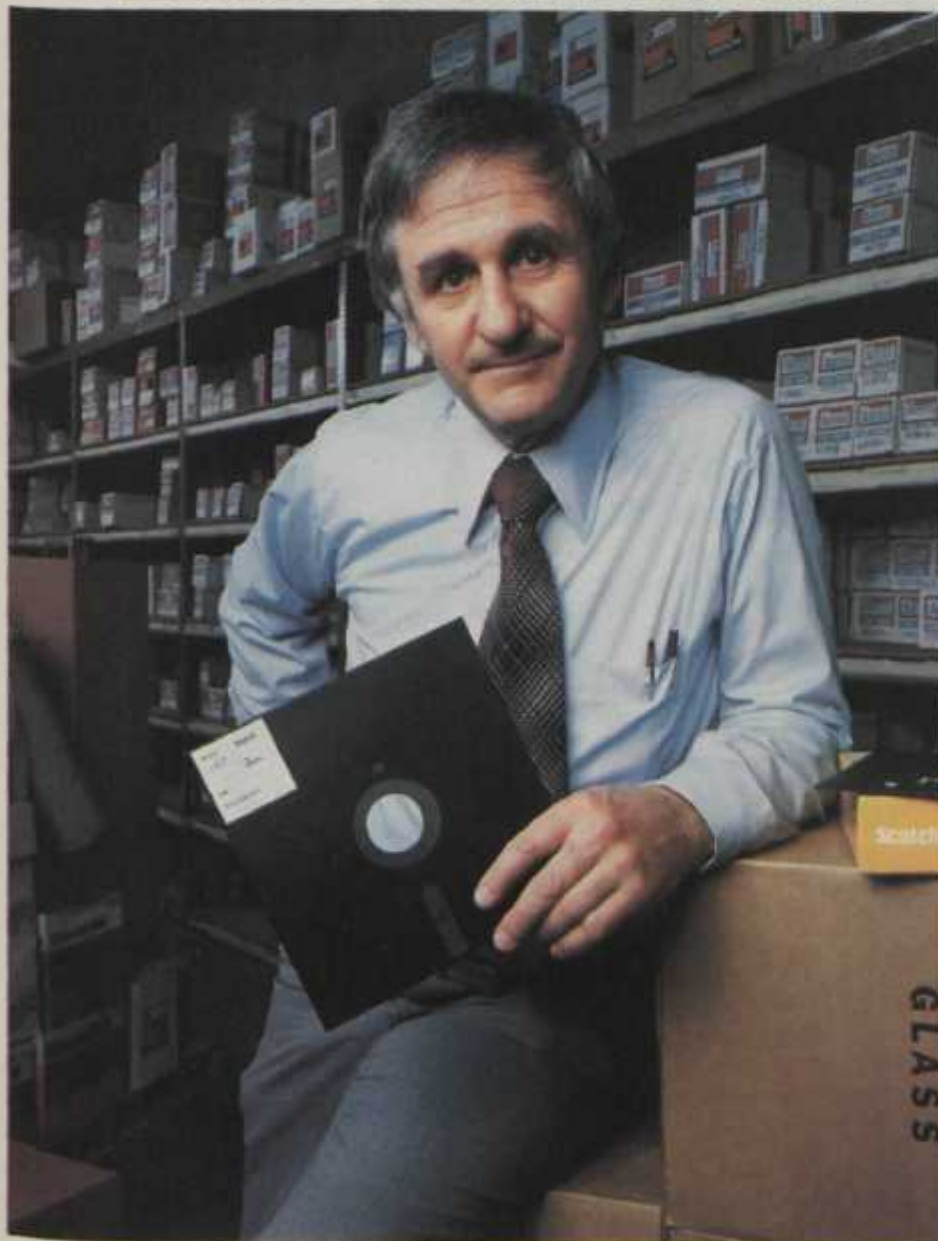
- Get a stationary bicycle. A regular bike used outdoors exposes the rider to the extremes of heat and cold as well as to the dangers of traffic. A stationary bike may be dull, but it is always close by and ready to use with whatever clothing you happen to have on at the time.

- If you are addicted to television sports, take advantage of every commercial by exercising. There are approximately 15 commercials during the average football game, for example, and they can give you time for many pushups, knee bends, and stomach exercises.

Dr. Halberstam offers one other bit of advice: "If the kind of exercise activity you're considering involves the use of some type of equipment, such as ski boots, running shoes, or scuba apparatus, be sure that you get equipment that is of good quality and in proper working condition and that you know how to use this equipment correctly."



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## STAYING HEALTHY WITHOUT HURTING YOURSELF

With so many business people as well as others jumping on the physical fitness bandwagon, more and more physicians are finding it necessary to counsel exercisers against hurting themselves in their zeal to stay healthy.

Dr. Allan J. Ryan, editor in chief of "The Physician and Sportsmedicine" magazine, says people who work in sedentary jobs should concentrate on developing their endurance rather than trying to build up muscle strength.

He told NATION'S BUSINESS:

"For a lot of business men and women, this can be accomplished by doing exercises such as walking, jogging, swimming, and cycling that re-

quire relatively long activity but are conducted at a relatively slow to moderate pace."

Dr. Ryan recommends that sedentary people who want to engage in other types of exercise that require greater exertion in a shorter period—such as playing tennis, squash, or racquet ball—can prevent injury by building up a moderate amount of strength in the arms and shoulders. This can be done by lifting barbells or other weights or by working out on an exercise machine, he says.

"Remember this," he cautions. "If you are starting a new activity for fitness, start out slowly and work up gradually. Don't try to do too much at once."

see absolutely no signs of aggravation or preoccupation with problems.

**Did that whirlwind trip abroad last January concern you? Did the President try to pack too much into a tight schedule?**

I have seen how he handles stress, and it did not bother me. He is concerned about the costs of these overseas trips, so he does try to pack in as much as possible.

**How about jet lag, even though the President has a bed he can use on Air Force One?**

I have not seen any adverse effects on him, even though I know the jet lag is there. But being able to sleep does help.

**Do Presidents have a particular kind of adrenalin that keeps them going?**

Not really. It's in their makeup. They don't get to be President unless they have the capabilities to respond to responsibility. They also have this great desire to contribute, and they are challenged by the job.

**On these foreign trips, Dr. Lukash, how close do you stick to the President?**

I am generally in the same residence that he is in.

**How about during his public appearances? In Warsaw or New Delhi, for instance.**

I am usually in the hallway or in an adjoining office. The Secret Service is usually a touch closer, and they can contact me. Let us say that I am close enough so that I can observe him and the subtleties—the changes in body chemistry and the body vibrations that are taking place.

**On a trip of this type—where the President is so active and the pressures perhaps are more intense—do you take his blood pressure more often than usual?**

Yes. The President will usually alert me to little problems or any minor change in how he feels. We have a nice relationship there.

In the past, if the President experienced little nuisance discomforts, such as a head cold or muscle aches, he would just ride them out. He is not a pill taker. But in discussions with him, I have indicated that sometimes these little problems can develop into something else. Now he alerts me so we can take care of them.

**Do you take special medical equipment along on these trips?**

Just a few pieces of support equipment and extra supplies since we also have a big staff to contend with.

**We touched on stress. What factors help Mr. Carter to handle stress?**

His closeness to his family, for one thing. And there is this strong commitment and strength in his Christian



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witness. I think that is the major anchor of his stability.

### This gives him inner tranquility?

I think so. Both he and his wife are able to handle problems from day to day based on their Christian witness.

### How much sleep does Mr. Carter average?

He generally goes to sleep after the 11 o'clock news. He gets to work around six in the morning, on the average—taking the 5:30's with the 6:30's.

### Is this enough sleep?

What is adequate is a norm depending on individual variations; he seems to thrive on it. Only once did I recommend that he take a nap in the afternoon, and that was after flying out to Minnesota for the funeral of former Vice President Hubert Humphrey. During that period, the President was also working early and late on his State of the Union message. On that occasion, he napped for about an hour. He has no trouble sleeping.

### Does the President wear glasses?

Yes. He just got his prescription changed.

### How about contact lenses?

I understand from his former optometrist that he has a single contact lens in the event he wants to use a teleprompter.

### Does Mr. Carter weigh about what he weighed when he was at the Naval Academy?

No. He was pretty slim then. He has lost a little since his first physical as President, when he weighed about 159 pounds. Now he weighs about 155. He never takes an elevator and that, along with his other exercise, helps him keep his weight in line. He doesn't have a weight problem.

### Dr. Lukash, in the 11 years that you have been caring for Presidents, have there been any changes in the manner in which you treat such patients?

Well, I have become more aware of the importance of being the primary physician—in reality the family physician—where I am intimately involved with the President and his family.

I try to know more about the forces that affect their day-to-day lives. Knowing these things has made it possible for me to avoid unnecessary diagnostic tests, medication, and

consultations. Because I know more about how the First Family responds, I think I can help them more capably when they have any kind of problem.

### So you are really the old-fashioned family doctor?

That's right. Unlike hospital work, where you can rely on other colleagues to help in critical cases, here I have to make decisions on patients. I have to decide myself whether it is necessary to take time away from highly responsible individuals [the President and other top White House officials]. It is an unusual challenge. It is a challenge that can affect careers, that can affect responsible decisions.

### Has President Carter ever smoked?

Not to my knowledge.

### And he is a very moderate drinker?

Yes. So he is an easy patient. He doesn't have any of the risk factors that we have to be concerned with. You could describe the thrust of how he lives as preventive medicine. It is founded on his personal life-style.

### Do you have any advice for our business readers who, while they do not carry the weight of the world on their shoulders, do have to contend with stressful living?

Well, there is the obvious advice about physical fitness, the hazards of coronary heart disease, and the like. I think it is important to find release from tension, whether by seeking moments of quiet reflection, by listening to music, or by taking a walk or engaging in more vigorous exercise.

I would strongly recommend having a good family physician. I have been concerned, when assigned to military hospitals, to find that enlisted people sometimes get better medical care than officers. That is because physicians sometimes have to take shortcuts for senior officers because of the responsibilities of the officers' jobs.

So, I would strongly recommend a doctor who knows the all-around implications of your life-style, who perhaps has some insights into your marital situation, your family situation. This makes for a more effective doctor-patient relationship.

It permits the patient to better respond to the doctor's advice, maintain good health longer, and enjoy a more rewarding life. □



To order reprints of this article, see page 94.





## If you wait until the government explains ERISA to you, it may be too late.

When the Employee Retirement Income Security Act became law in 1974, it created as much confusion as red tape.

As a result, a lot of unsuspecting companies could face heavy fines for non-compliance and underfunding.

The law even affects many companies that don't have pension or profit-sharing plans.

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## Tax-Indexing Proposal Is a Winner

**A**N INCOME TAX SYSTEM indexed to the inflation rate gets a vote of approval from a majority of readers responding to the July "Sound Off to the Editor" question.

The current tax structure is a "Catch-22" situation. The more you earn, the more the government takes, in a never-ending battle that inflation always wins.

Some members of Congress think it is unfair for the government to depend on inflation to increase government revenues. Senators and representatives are sponsoring bills to establish a system of tax indexing that would discount increased personal income in accordance with the inflation rate, thus maintaining the purchasing power of workers.

The White House has cautioned that such a change would further complicate the tax system and add enormously to paperwork. Other critics warn that tax indexing ignores the root causes of inflation and could result in increased wages and prices.

"The present method of not recognizing inflation in the income tax structure merely accelerates the degree of inefficiency of our government," says Paul J. Rederer, director of economics and statistics for Edison Electric Institute, New York. He adds that it hastens the undermining of free enterprise and the democratic system.

John B. Lake, president of Mid-West Office Furniture and Supply Co., Salt Lake City, Utah, says: "As a small businessman, I find it all but impossible to increase salaries, give bonuses, or compensate people financially in an equitable manner that reflects their merit. Those idiots who have long sustained themselves in Washington are sending struggling businessmen like myself to the wall."

W. A. Eades, supervisor of operations engineering for Baltimore Gas and Electric Co., Lutherville, Md., favors the tax-indexing proposal. He says: "Reducing the government's windfall profit may focus attention and responsibility where it belongs—on the federal government."

John D. Kirkman, second vice presi-



*J. R. Topper, president, Anchor Hocking Corp., Lancaster, Ohio, says of indexing: "This may be the only method to achieve a principle of tax limitation and to reduce spending."*



*Harry S. Rosenberg, president, Ritepoint, Fenton, Mo., votes no. "Tax forms are complicated enough now. Real reform would simplify the rules of taxable income."*



*Robert B. Nicholas, vice president, Aetna Life and Casualty, Hartford, Conn., favors tax indexing as a step to arrest the "downsizing of our standard of living."*

dent of New York Life Insurance Co., New York, agrees with the idea of offsetting inflation but is concerned whether indexing is the answer.

"There are very simple ways to reduce tax percentages." Indexing, he says, "would attack a result of inflation rather than inflation itself. If our gutless federal government would merely cut spending, wage earners and investors would not push hard for indexing the tax system. If you cut spending, you can cut taxes."

Peter Crook, president of Aeroterra, Inc., Inglewood, Calif., votes against indexing. He suggests that a "simple reduction of one's gross income by the amount of the year's inflation rate might solve 90 percent of the current inequity."

"Allowing the government to benefit from inflation at the same time it is attempting to control it is like trusting rats to guard the cheese," says R. D. Smith, owner of Kenmore Business Services, Kenmore, Wash. Mr. Smith favors indexing and also proposes limiting federal taxation to a fixed percentage of the Gross National Product.

John F. Perry, president of Benefit Plans, Inc., Manchester, Conn., notes: "It seems unfair that our big bureaucratic machine can continue to grow

while those of us who support it must regress in order for it to progress." He votes yes for indexing.

Merrill D. Sather, executive vice president of Pacific Northwest Grain Dealers Association, Portland, Oregon, offers this statement of intent on behalf of taxpayers:

"We are willing to spend whatever is necessary to defend this country against its enemies, to maintain domestic tranquility, to educate our children, to protect against disaster, and yes, to provide comfort to the aged and infirm, but we're getting sick of politicians taking our money and giving it to others who are unwilling to help themselves, and this includes layer upon layer of bureaucrats."

"It's time to stop ripping off the American taxpayer with this tax thievery of inflation," says William P. Hufnagel, senior vice president of the Sunshine State Federal Savings and Loan Association, Plant City, Fla. He thinks that "indexing would force our government to be more fiscally responsible or to raise taxes openly and honestly without the present deception."

"Please index!" is the plea from Randall C. Nelson, managing director of Mesaba Funeral Home, Hibbing, Minn. He says that "the current infla-



tion rate and tax system are destroying the very basic element upon which America was founded—the right to work hard to improve one's economic and material position."

On the other hand, L. E. Piatti, executive vice president of Mallory Electric, Carson City, Nev., believes that indexing is a "classic example of the government treating the symptoms rather than the cause."

"A copout," says Fred J. Edwards, assistant to the vice president for development of the Grumman Corp., Bethpage, N. Y. "Learning to live with inflation is a poor substitute for attacking the roots of the problem," he says. "But it is individually the easy way out and makes votes for Congress."

John Leopold, a Hawaii state senator, is currently working for passage of

a tax-indexing bill for his state. "Unfortunately," he says, "the measure was not granted a hearing in our past legislative sessions, but its day will come."

"Perhaps when the federal government ceases to benefit from inflation it may be more likely to deal with it as a problem," comments S. R. Buren, division controller for Cessna Aircraft Co., Wichita, Kans.

Barbara Maroscher, vice president of M & M Machine, Inc., Salem, Ohio, thinks that indexing is better than nothing, but it will make the income tax system more complex. She suggests: "A flat 20 or 25 percent income tax on all income would be much simpler and less costly as far as administering the tax structure."

Charles Reynolds, vice president of Triplex, Inc., Houston, agrees that in-

dexing will make the tax system too complicated. He votes for "cleaning the slate and starting over with a ten or 15 percent income tax on all income, no loopholes, no exceptions, no deductions."

G. F. N. Smith, president of American Mutual Life Insurance Co., Des Moines, Iowa, sees things differently. He says: "Indexing would force Congress to face the necessity of actually increasing taxes if spending exceeded the rate of inflation."

"The faster I work, the behinder I get!" says Elaine M. Kleine, personnel director for Davis, Graham and Stubbs, Denver. "My pay per annum has tripled in the past ten years; and I have less buying power now than then. I am reaching retirement age and I am scared."

"Where will it end?"

□



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# Bigger Bite for a Congressional Watchdog

By Priscilla Schwab

In a move of increasing importance to business, the General Accounting Office has enlarged its role to encompass accountability as well as accounting

**G**LAMOROUS, dramatic, trendy. You won't find anyone tossing adjectives like these at the General Accounting Office.

But Comptroller General Elmer B. Staats does have Congress's watchdog on government spending headed in a new direction, one which will do much to change his agency's stodgy image.

GAO has gradually enlarged its role. Once, it limited itself to pure financial auditing. Now, it is emphasizing program evaluation as well. In other words, accountability in addition to accounting.

"We have tried to make our product—hundreds of reports annually—more relevant to the needs and interests of Congress," says Mr. Staats.

In effect, GAO is becoming Congress's equivalent of the management side of the President's Office of Management and Budget, which now oversees the managing of the executive branch of government.

In a sense, this is what Congress intended when it set up GAO in 1921. The executive branch wanted a Bureau of Budget to oversee federal spending. Congress agreed, but it wanted an agency of its own to keep an eye on the spenders, and thus it created the General Accounting Office.

## More power wanted

GAO has built a solid reputation as Congress's supersleuth on spending, grinding out report after report and, in the process, pinpointing excessive spending by government agencies.

With GAO now evaluating the effectiveness of the agencies' programs, Mr. Staats wants it to have still another dimension. He wants it given more clout to ensure that it gets the infor-

mation it wants. This new tack by GAO is going to become increasingly important to business. A number of reports the agency has made in its enlarging role have stirred controversy. Some businesses have taken strong exception to GAO conclusions.

For example, there were business objections to a GAO contention that turning uranium enrichment over to private industry would be more costly than a government operation. A GAO report opposing government subsidies for development of synthetic fuels technology, on the ground that reliance on imported oil would be less costly, also drew objections.

## Initiates own tasks

In detailing the changes at GAO, Mr. Staats says that "close to half our total effort is defined as program evaluation, where we identify the objectives of a program—as expressed in statutes, congressional statements, and regulations—and assess whether those objectives are being met.

"Then we determine whether there might be a more cost-effective way of achieving the objectives. We are also timing our work to meet the schedules of Congress, to anticipate the questions and issues that will come up.

"Two thirds of our work is self-initiated. Instead of just reacting to requests from Congress, we have a program-planning process that is built essentially around 34 major issue areas. There are two types—program areas like health, education, environment, or energy, and management concerns like logistics, personnel, communications, or electronic data processing."

He adds: "We always have more

work to do than staff to do it, but we try to fix priorities within each area. We are looking forward a year or even two years to what the emerging issues will be, what is down the road."

## Deposits on containers

One self-initiated report was titled "Potential Effects of a National Mandatory Deposit on Beverage Containers," and it stirred strong controversy. Bottling and beverage industry spokespeople challenged the report's conclusions favoring deposits and asserted that making deposits mandatory would lead to higher prices, increased unemployment, and consumer rejection.

Why even do this kind of report? The answer is found in the frontispiece of the 91-page document, which contains a letter Mr. Staats wrote to the speaker of the House and the president of the Senate.

The letter says: "We analyzed and reported on this issue because of the claims and counterclaims which have become part of this controversial proposal. We believe that objective analysis will greatly aid the Congress as it considers this issue and related proposed solutions to the nation's solid waste disposal, materials recycling, and environmental problems."

## Siding with business

Another self-starting report looks at the impact of Section 911 of the Tax Reform Act of 1976, which reduces a tax exclusion on income earned abroad.

Bills are now pending in Congress to delay the effective date of the 1976 law for one year and to change substantially this section of the tax code.

The Chamber of Commerce of the United States helped GAO staff mem-





PHOTO: MARIO CASTELLER

Elmer B. Staats, now in his 12th year as head of the General Accounting Office, says that two thirds of GAO's work is self-initiated to anticipate questions that will confront Congress.

bers to identify the countries and companies that would be most affected by Section 911.

"Our interest lay in what would happen to foreign trade and the balance of payments," Mr. Staats says. "We gathered information in 11 countries from 145 U. S. companies, analyzed the potential effects of the bill on jobs abroad and exports, and outlined several alternatives to amend the law."

The report, "Impact on Trade of Changes in Taxation of U. S. Citizens Employed Overseas," recommends that Congress seriously consider continuing the tax exemption of income earned abroad, at least until a successful system of evaluating the effectiveness of such tax incentives is established.

For business, GAO's conclusion is both good news and a challenge. The good news is governmental recognition of the problems—the deteriorating U. S. international economic position and the limitations of governmental efforts to promote U. S. competitiveness abroad.

The challenge is to demonstrate con-

clusively that tax incentives are vital to improving the U. S. balance of trade and that they must be retained.

#### Studies cause changes

Perusing the monthly lists of reports published by GAO reveals many other activities whose effects might ripple through business waters. Granted, GAO only recommends, it does not implement or enforce. However, as Roland Sawyer, the agency's information officer, points out, "changes often occur simply because we are doing a study. The agencies know what we are after because we tell them."

"By law they have to comment on our work, and they love to be able to say that they have already started corrective action."

Mr. Sawyer adds: "That's the way it should work. We are not out to expose an agency's dirty laundry. We are trying to improve governmental operations."

A case in point is a GAO report on the Consumer Product Safety Commission. The report noted that manufac-

turers, distributors, and retailers are required to tell the commission about defective products—those that do not meet safety standards or could create substantial hazards. However, the report said:

- The commission often was not informing industries of product requirements, and even when it did so, the information was vague or conflicting.

- The commission's processing of cases was taking too long—up to 18 months before one hazardous product was finally revealed to the public.

- The commission's monitoring of corrective actions was almost nonexistent.

In commenting on the report, the commission was happy to point out that several, if not most, of GAO's recommendations were being carried out.

In a study of the Office of Minority Business Enterprise, a part of the Commerce Department, GAO staffers stated, in typically restrained fashion, that OMBE "could do more to start and maintain minority business."

The report found:

- Only 25 out of a group of 169 prospective businesses which had asked OMBE for assistance got enough help to start up.

- About 37 percent of a group of existing firms which had been helped by OMBE were out of business or could not be located at the time of the study.

#### Agrees with criticism

OMBE Director Randolph T. Blackwell, while expressing a few reservations about the report, said it was essentially accurate, balanced, and consistent with a self-evaluation OMBE had recently made.

While totally unexciting—GAO re-



port writers are noted for their ability to defuse the dictionary—several reports in just one month, February, contain implications for particular businesses. For example:

- "The Maritime Administration's Evaluation of the End Products of Research and Development Contracts With Private, Profit-Making Firms."

- "The Magnitude of the Federal Solar Energy Program and the Effects of Different Levels of Funding."

- "New Interstate Truckers Should Be Granted Temporary Operating Authority More Readily."

- "IRS Can Improve Its Programs to Collect Taxes Withheld by Employers."

As Mr. Sawyer puts it: "Nothing goes on that GAO doesn't get into."

### Total independence

Comptroller General Staats, 64, was appointed by President Johnson in 1966 for a 15-year term and cannot be reappointed. He may be removed from office only by majority vote of both houses of Congress and only on grounds of malfeasance.

"If we didn't have total independence," says Mr. Staats, "I don't think we would enjoy the credibility we have."

We are in the business of criticizing the executive branch of government. We hope it is constructive criticism. We make recommendations; some of these are not always popular. We must have independence to do our work."

### Hauling and pulling

Mr. Staats has been the driving force behind the changes at GAO. Mr. Sawyer, who has been an expeditor for his boss as well as his information officer, says: "Mr. Staats is the type of man who, once he makes up his mind that he wants something, he's going to get it. We had a large agency totally oriented to auditing. He did a lot of persuading, a lot of hauling and pulling, to turn it around."

Another factor in the widening of GAO's scope is staff.

When Mr. Staats took over, the vast majority of the agency's professional force consisted of accountants. There were a handful of lawyers and only a sprinkling of people from other professions. Today there are economists, engineers, statisticians, operations analysts, data processors—even a few doctors and actuaries.

Also, there are "a lot of accountants who haven't done much accounting of late," says Mr. Staats. "We have substantial training programs where our accountants become knowledgeable in a particular field by working in it. We also bring in consultants—the best available experts—not only to run highly technical studies but also to critique our own staff's work. We will probably continue the trend of diversifying our staff."

### Staff grows

Mr. Staats has enlarged the staff in size as well as scope.

In 1966, GAO had 2,400 professionals. Now it has 4,085. In his budget request for fiscal 1979, the comptroller general seeks an extra 120 staff positions, 103 of which are targeted for program evaluation work.

Says Mr. Staats in his annual statement to a House appropriations subcommittee: "As the federal budget increases and new programs are enacted, our work load automatically increases."

One example of the increased work load is that in 1976 the agency began auditing certain operations of the Federal Reserve Board, the Comptroller of the Currency, the Federal Bureau of Investigation, and the Internal Revenue Service, all of which hitherto were outside its purview.

To help handle the work load, Mr. Staats would like the power of subpoena to force agencies to give GAO access to needed information. He would also like the power to take recalcitrant agencies to court rather than go through the Justice Department.

And he wants a separate merit system for GAO. "We think our being under Civil Service is somewhat inconsistent with the separation-of-powers doctrine," he says. "We review the executive branch functions and at the same time are under their jurisdiction."

### Credit to business

Mr. Staats credits business with providing worthwhile suggestions about what GAO should look at, including a study of the impact of the metric system and ongoing projects aimed at reducing the paperwork burdens on businesses.

"We pick up a great many ideas about what we need to look at from the business community," says Mr. Staats. "We try to maintain an open door. I work pretty closely with several business organizations."

"We are always on the lookout for groups outside the government having problems with a particular program."

GAO is asking for a budget of \$187.8 million in the next fiscal year—an \$11.9 million increase over this fiscal year.

But it says it brings the government far more money than it spends.

In fiscal 1977, the agency says, GAO recommendations acted upon by other federal agencies saved the government \$4.4 billion, and GAO recommendations acted upon by Congress saved \$1.2 billion.

Some GAO campaigns take a long time to come to fruition. Mr. Staats told the House Appropriations subcommittee that the agency had been advocating for 15 years that federal tax and loan accounts be interest-bearing. The Treasury Department finally took action this year, he said, adding that the government will realize annual savings of about \$140 million as a result.

### Bonus for government

Mr. Staats mentioned in passing another benefit to the government from GAO activity.

In fiscal 1977, the agency collected \$8 million in debts which were owed to other agencies and which they had given up on. Among its other activities, GAO serves as the government's debt collector. □

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# Chile



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# Chile



## INTRODUCTION

The present Government of Chile inherited an economy in shambles on September 11, 1973.

The 1973 Chilean economy, up to September, featured: triple-digit inflation; exhausted foreign reserves; insufficient foreign credits; total absence of private investment; unavailable basic materials; semi-paralyzed national productivity; rampant strikes; acute shortages of essential consumer goods; a black market; civil unrest and political terrorism. In summary, Chile was suffering from an unprecedented crisis of institutional, political, social and economic chaos that threatened a civil war.

Consequently, the apolitical Armed Forces were called upon by the Chileans to assume power and remove the three-year administration which had attempted to socialize all means of production—the root cause of the economic chaos and prevailing disorders.

The present Government has pursued objectives diametrically opposite from those of the preceding Marxist administration. The Government's return of socialized industries to the private sector, its encouragement of free market forces to determine economic policies and to allocate economic resources have aided in establishing one of the freer economies in today's world. Evidence: new foreign investments total US\$2.48 billion and the majority are from North America.

The Fifth Anniversary of such a successful return to the private enterprise system justifies this publication of a "BUSINESSMEN'S DIALOGUE WITH CHILE". The "DIALOGUE" contains questions from United States businessmen with answers supplied by Chilean authorities. Included are business messages written by 30 private leaders of the Chilean economy.



Albert J. Buchanan  
President  
AMERICAN  
CHAMBER OF  
COMMERCE IN THE  
REPUBLIC OF  
CHILE

### Foreign Investment Welcomed

The dominant political and economic problem for Chile over the long term has been to find the means of maintaining a high standard of living and social ideals, once financed by nitrate income.

Nothing worked. Now the government is attempting to reverse past trends by opening up the economy, export promotion and by developing Chile's comparative advantage in mining, forestry, fishing and agro-industry. In all areas Chile enjoys an abundance.

The 204 member firms of the United States Chamber of Commerce in the Republic of Chile, not only welcomed Chile's current and pragmatic economic policies, but we've also appreciated the self-discipline demonstrated by our host country during her difficult recovery period.

Today's Chile, in emulating the economic principles which positioned the United States in the forefront of the free world, represents a superb example of a rebuilt economy which is expanding based upon private initiative and supporting government policies.

We therefore invite our colleagues at home to explore the many business opportunities which are offered by TODAY'S CHILE.



Eugenio Heiremans  
President  
ASOCIACION  
CHILENA DE  
SEGURIDAD

### A Modernized Economy

There are important reasons to expect that the satisfactory rates of real growth, achieved by the economy during 1976-1977, will continue over the medium and long term.

Prior to the current Government, the over-evaluation of the peso and high tariff barriers had isolated Chile from international trade, except for traditional exports such as copper and the essential imports. The 1974-1978 growth in non-traditional exports demonstrated that Chilean enterprises have the human resources needed to meet the challenges of international marketing. Foreign competition within Chile, due to the gradual reduction of tariff rates, has meant new patterns of efficiency and improved resource allocation.

The control of inflation, a secular ill of the Chilean economy, is enabling a domestic capital market to develop, as financial savings increase in response to positive real rates of interest. These savings, together with foreign capital inflows (made possible by the country's regained credit worthiness), will continue to provide the financial resources that the modernization of our economy requires.



## THE ECONOMY



**In addition to the government's tight fiscal management and the accumulation of foreign reserves, what factors have contributed to the recovery of the Chilean economy?**

By 1973, the Chilean economy exhibited a fiscal deficit equivalent to 55.1 percent of all goods and services used, as a result of which inflation increased 1,000 percent that year. Moreover, a general control of prices prevailed and the 500 largest productive industries in the country were owned by the state. In addition to this, one must recall the weakness of our foreign trade and the high tariff barriers, averaging close to 100 percent, that originated in a low rate of exchange, and thus prevented the growth of exports.

This situation led the government of Chile to adopt an economic policy designed to eliminate existing inflation, restore the balance of payments, and attain a high and sustained growth of the country's domestic product.

To achieve these goals, government spending was curbed; markets were allowed to operate freely; companies unable to justify state control over them were turned over to the private sector; savings were encouraged under a free and competitive capital market; and foreign and domestic capital investments were promoted.

At the same time, the economy was opened to foreign trade by raising the parity of the dollar to its real rate and by enacting gradual tariff rebates.

**An evaluation of the Chilean economy points to a "slow but definite improvement." What is the basis for that statement?**

In 1976, the Chilean economy grew by four percent. In 1977, the economy grew by 8.6 percent, which ranked Chile among the highest nations in the world in economic growth. Future growth projections indicate an annual growth rate of eight percent between 1978 and 1983 which, in relation to the historical 3.5 percent, indicates a strong recovery of the Chilean economy.

Insofar as the appreciation that improvement is "definite" is concerned, there is no doubt that, during the past four years in office, the government has implemented the bases for a sustained economic growth. An example of this is the fact that, in spite of the effects of the 1975 world crisis, the country has boosted its development as never before in all its history.

**The international financial community shows great confidence in Chile's economic policy. Why?**

The confidence which the international financial community shows in our national economic policy reflects the seriousness with which each step has been approached; the consistency among all policies which have been implemented; and the determination displayed by the highest authorities of the country to apply them.

Likewise, the world financial community has correctly evaluated the positive result for Chile originated by its current foreign trade policy that has opened the country to the world market. This step has enabled Chile to restore its balance of payments situation to the extent of

### Respect for "Human Rights?"

Imagine, if you will, the United States suffering under these internal conditions:

- A) Thousands of farms and hundreds of enterprises controlled by extremists, with owners expelled without compensation.
- B) Cities and villages cowed by armed bands led by foreign guerrilla experts.
- C) Shortages of essential foods with poverty and malnutrition affecting 25% of the nation's population.
- D) A 1000% annual inflation, while the administration ends all private education.
- E) Both Congress and the Supreme Court publicly denounce the administration for violating the Constitution and national laws.

"Impossible!" you say. Amen. But these were the actual conditions in Chile five years ago which threatened the conversion of Chile into another Soviet satellite. And now you have facts behind why the Chileans asked their professional Armed Forces to prevent the total erosion of their nation. In view of this 1973 turmoil, who can justly censure the Chileans for acting without enough respect for "human rights?"

**Manuel Valdes Valdes** President  
CONFEDERACION DE LA PRODUCCION  
Y DEL COMERCIO



**Hernan Daroch Luci**  
President  
SOCIEDAD DE  
FOMENTO FABRIL  
DE CHILE

### Spokesman for 2,400 Chilean Industries

Prior to the current administration, the policies designed to foster Chile's economic development, were based on a high degree of protectionism plus an unreal exchange of currencies.

Conversely, the present economic policy is basically oriented to favor the Chilean consumer by promoting competition between Chilean-made and foreign-made products.

This, of course, is a challenge for our 2,400 Chilean industries. However, the flexibility of the Chilean businessmen has produced a complete industrial readjustment determined by the realities of the marketplace. Today, Chilean industry is successfully meeting the challenge of international competition by exporting a large volume of non-traditional merchandise. And this "export" tendency is growing annually at a high rate.

For the industrialized countries, it has become very attractive to establish companies, and to invest time, technology and capital in Chile, not only due to our political, economic and social stability, but simply because "it is good business."



BUSINESSMEN'S  
DIALOGUE  
WITH  
**Chile**

## The Economy *(continued)*

showing today a surplus of \$300 million and gross reserves in the amount of \$1.15 million, a situation that allows the country to face any economic emergency.

**Considering the threefold impact of inflation, low price of copper, and imported oil on Chile's economy, what are the most significant features of its economic recovery?**

In answering this question, it is necessary to point out explicitly the effect which the world crisis had on the economy of the country. Within a period of three years, the price of oil rose from US\$2.4 to US\$12.1 per barrel, bringing about an economic crisis that was felt worldwide. Chile was basically affected in three ways:

1. The world recession resulted in a curbing of demand and, therefore, a drop in the price of raw materials traded internationally. The price of our main export commodity, copper, fell in 1975 to less than two thirds of what it had been in 1974.

2. The world recession brought about a soaring in food prices. Therefore, Chile was required to pay higher prices for the food items it imported.

3. Being an importer of oil, the country had to meet the higher price demanded by its imports of fuels.

In all, these effects implied an outlay in the amount of \$1.1 billion, or 14.2 percent of the 1974 gross domestic product.

Consequently, the world economic crisis explains the drop in the 1975 Chilean domestic product.

This world economic crisis persists. Oil and food products continue to reflect high price levels, and copper remains depressed. Yet, even this situation has not prevented the recovery of our national economy. For example:

- The rate of annual inflation dropped from 508.1 percent in 1973 to 63.5 percent in 1977, and it is expected that it will be under 30 percent in 1978.
- The balance of payments, which in 1973 had reported a \$111.9 million deficit, showed an \$18 million surplus in 1977.
- The public sector deficit, which represented 55.1 percent of all good and services used in 1973, was brought down to only 8.1 percent in 1977.
- In the past four years, nontraditional exports have increased by 506.1 percent, while traditional exports have increased by 31.1 percent.
- Private investment in relation to total investment has increased from 22 percent in 1973 to 41 percent in 1977.
- Net foreign borrowing which was less than \$7 million in 1973, exceeded \$511 million in 1977.

### **What is the rationale behind the policies of Chile in relation to a reduction of tariffs?**

To fully understand the foreign trade policy which is now in effect in Chile, one has to go back to the world crisis of 1930. At that time, the government put into effect a development policy which put the national industrial sector under the protection of high tariff barriers. The

purpose was to make it possible for products manufactured in Chile to compete in price and quality with their foreign equivalents.

This policy led to leaving unprotected certain sectors of the economy, such as agriculture, mining, fishing, and others, in which the country enjoys comparative advantages. In addition, it enabled the gradual development of state intervention in all economic areas, thereby confining private thrust and creativity.

This situation prevented economic growth and greater public well-being.

Well aware of the limitations which the policy involved, as of 1974, the government started applying a gradual rebate of tariffs that will bring down their average 100 percent rate to an average 10 percent by June, 1979.

This lower tariff rate will enable Chilean products to compete with imports, allowing local consumers to buy those goods exhibiting lower price and better quality, regardless of whether they are made locally or abroad.

The fact that the country is enforcing a low tariff rate will create, in turn, a high rate of exchange, thus encouraging local productive activities for exporting to the world market. In this way, Chile is being allowed to specialize in sectors that make use of its natural resources and its plentiful labor.

The policy of opening the doors to world trade guarantees more efficient allocation of resources and that each unit of money invested will bring in a maximum return. In addition, production is currently growing at a much higher rate than in the past, inasmuch as it now has the possibility of catering to the world market and not merely to domestic demand.

The final result should be that Chile will double its per capita income in 14



**Javier Vial C.**  
Vice-Chairman  
**BANCO DE CHILE**  
Chairman  
**BHC GROUP**

### **"Expansion of Commercial Banking"**

The positive recovery of our national economy during the last four years and the confidence of the international business community in the Chilean economic system has resulted in the sustained growth of our GNP—which in the past two years reached an annual rate of approximately 8%, with similar expectations for the coming years.

This dynamic evolution of Chile's economic system has been accomplished, owing in part, to a drastic reduction of the inflation rate and the orientation of our national resources towards those sectors which—comparatively speaking—offer the greatest potential.

This has made possible a significant expansion of the nation's financial activities, in general, and, more specifically, of the commercial banking sector, which together with growing participation of private domestic and foreign investors promises a very favorable climate for business development in general.



**Jorge Yarur B.**  
Chairman  
**BANCO DE CREDITO E INVERSIONES**

### **Stabilization and Economic Recovery**

Chile has stabilized its inflation only through severe restrictions on the economy. Gross Domestic Product growth indicators have shown clear signs of recovery since 1977, thanks to the renewed activity in agriculture, industry and trade. The expenditure of GDP increased by 8.6% in 1977, and sustained growth is anticipated for the coming six-year period.

Furthermore, applications for foreign investment are more numerous than ever before.

That confidence in our recovery prevails in international circles is evidenced by the many and diverse forms of credit now made available by foreign banks to Chilean private banks and to the Central Bank of Chile.

The Banco de Crédito e Inversiones has given the Chilean economy a major boost by channelling these credits and developing various new forms of domestic financing.





years and not in 45 years, as was the case in the past.

**What is being done to protect the sources of domestic employment, in view of the inflow of competitive imports?**

It is necessary to recall that the high rate of unemployment which the country has suffered in recent years is the result of the historical increase in the cost of using labor and the lower cost of using capital. As of 1970, no new investments have been carried out in the country and, consequently, no new work opportunities has been opened.

The government decided to meet the problem of unemployment at its very roots. To this end, it has given capital its true value and is eliminating taxes on labor, thereby encouraging the various sectors to use more labor.

The opening of Chile to world trade has compelled certain industries exhibiting a high rate of inefficiency to put an end to their activity and has thus caused a problem to unemployment.

To lessen cyclical problems, the government has introduced some special programs, such as the Minimum Employment Plan, that enables any Chilean wishing to do so to work under the supervision of a municipal government. Furthermore, and aware that labor training is the best guarantee to find assured work, a mass qualification program has been implemented under state subsidy.

As has been explained, the current foreign trade policy is based on an economic fact that indicates no imports may be carried out without exports. Therefore, and as shown by the record figures of employment in the past two years, the growth of nontraditional exports that



**Carlos Icaza Silva**  
President  
**BANCO DE TALCA**

**Invest in ... "One of the Best and Safest Countries"**

In my opinion, the contacts which NATION'S BUSINESS is now establishing between members of the United States Chamber of Commerce and Chilean enterprises are of great interest—since our knowledge of commercial possibilities with your country is incomplete, and since we believe that in the USA, the possibilities of investment in Chile are equally unknown.

Chile, with its outstanding climate, great human and natural resources and with its present institutional stability, is one of the best and safest for foreign investments.

Banco de Talca, founded in 1884, is highly experienced and technologically organized to assist in any possible contact of this nature.



**Ricardo Bacarreza R.**  
President  
**BANCO DEL TRABAJO**

**International Bankers Understand ...**

Since 1974 one of the main objectives of the Government's financial policy has been to develop an orderly and efficient capital market capable of stimulating domestic savings and providing the mechanism to channel financial resources to the most profitable investment areas.

Commercial banks have emerged as the principal institutions within the Chilean capital market. This is the result of the liberalization of controls, the progressive reduction of reserve requirements and easier access to international financial markets. Today, Chilean banks have ample credit lines with foreign banks and with very reasonable terms. This is due to the fact that international bankers have understood the Chilean experience and view the development of our economy with confidence and optimism.



BUSINESSMEN'S  
DIALOGUE  
WITH

# Chile

## The Economy (continued)

reached 506 percent in the past four years has resulted in a much higher employment rate than layoffs caused by the closing down of certain companies that did not resist international competition.

The reason for this is that exporting activities are featured generally by the high rate of labor they are required to employ. Among the most evident examples of this situation is export of leguminous and forest products—activities that are particularly intensive in the use of labor. In the long term, and as a result of this policy, the country will exhibit high

rates of employment. The opening to world trade guarantees this.

### Is it possible that Chile may return to Andean Pact membership?

Chile withdrew from the Andean Pact for very definite and clear reasons. In the first place, the tariff policy selected by the country became incompatible with existing positions in the pact. The pact recommended high and discriminating tariffs, according to the activities concerned.

Chile, on the other hand, will sustain low (ten percent) and even tariff rates for all sectors.

In the second place, under Decision 24, the pact established a series of conditions on foreign investment that confined entry of foreign savings. The economic policy of the government of Chile is favorable to foreign investment, inasmuch as the country is aware of the fact that, to be able to further its growth, it must supplement

domestic investment with foreign investment.

These basic discrepancies between the development pattern followed by Chile, and that recommended by the Andean Pact, resulted in the withdrawal of Chile, in spite of all efforts carried out by our country to overcome them.

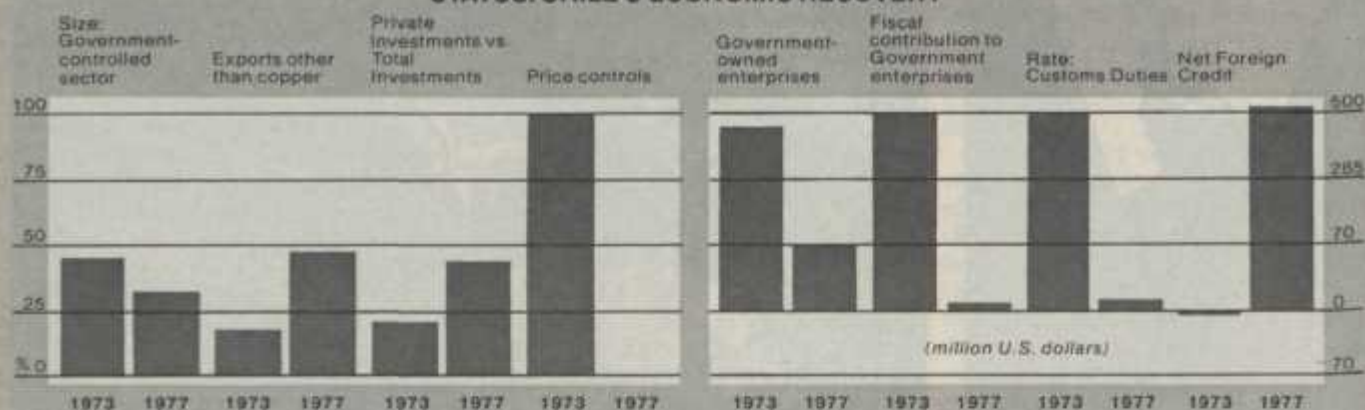
Consequently, it is logical to think that, if the conditions of the pact change and become flexible to the extent of not affecting the policies implemented by our country, Chile could become part of it once again.

### Why is Chile currently known as a good place to invest in?

Three essential elements make Chile a country convenient to invest in: the recovery of its economic and social situation, as a result of the development strategy implemented in the past few years; the legal system that supplements the indi-

(continued on page 8C)

### STATUS: CHILE'S ECONOMIC RECOVERY



Nationwide results—Socialist economic policies (1973) versus private enterprise (1977).



Luis A. Marchant S.  
General Manager  
BANCO O'HIGGINS

#### Multiple Business Possibilities

It is no secret that Chile has achieved great progress in reaching economic stability. Consequently, the road is wide open.

According to realistic economic projections, the annual growth rate over the next few years will be from 7% to 8%, and the estimate for future years is 6%.

It is also no secret that the demands for consumer and production goods, products and services are increasing dramatically. New plans and projects are being undertaken to further develop the productive structure of the economy and to incorporate new technology.

You, Mr. Businessman, can be part of this profitable challenge. Think about it!

Our banking services, established more than 100 years ago, have been adapted to international standards in order to provide the most ample and sophisticated service. Why not take advantage of our services?

Chile, thanks to the present Government's active policies for national recovery, has returned to its tradition of moral, social and economic progress.



Edmundo B. Miquel  
Chairman  
BANCO UNIDO DE  
FOMENTO

#### Today's Chile offers "The Essentials"

The restoration of traditional Chilean values such as respect for authority; private initiative as the motor of the economy; and Western humanism as the basis for social development—have brought back peace, civilized order and creativity to Chile. The resulting investment climate features these five "essentials":

- Social Stability, based on solidarity and the existence of a large middle-class.
- Human Resources, meaning an abundant and efficient professional and labor force.
- Economic Stability, backed by performances demonstrating that the return to a free market economy can be a success.
- An Open Attitude towards World Markets, relying on competitiveness instead of protectionism, has quadrupled non-copper exports and doubled imports in four years.
- A Sincere Welcome. Since today's high growth rate will be further consolidated by foreign capital, investors from abroad are most welcome and are motivated by liberal legislation on foreign investments, founded upon non-discrimination between foreign and local capital.

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# Why Chile?

## Profit from an open Economy

by Professor Sergio de Castro Spikula  
Minister of Finance

### From a Closed to an Open Economy

Since the world crisis of 1929, Chile started closing its economy to world trade and adopted an ever-increasing policy of import substitution. This was achieved via a chronically undervalued rate of exchange—which allowed the cheap importation of capital goods and raw materials needed to implement the substitution of import efforts—and through import prohibitions or very high tariffs—which protected internal production and allowed high profits to be reaped even from the most inefficient productive activities. Exports were penalized and, therefore, traditional copper exports were more than 80% of total exports. The production of necessities was also penalized because they could be imported with the artificially cheap rate of exchange and with low or no tariffs. Luxury and sophisticated goods were incentivized because their internal prices were high since they could not be imported at all or only with very high tariffs. With small internal markets and low average incomes it can readily be understood why these policies failed; they led to a serious misallocation of our resources and, as a consequence, to small rates of growth of our economy.

These policies were reversed by the new government after September 1973. The rate of exchange was drastically devalued—by an average of about 1,000%—taking it to a realistic level and the very high protective tariff barriers were lowered considerably; also, the almost endless list of prohibited imports was gradually but firmly cut down. From tariffs of more than 500% and an average tariff of 94% for the small group of goods which could be imported in August 1973, we have come to a situation where in December 1977 there were no import prohibitions at all and where the average tariff was 14.7% with no tariff exceeding 25%. Furthermore, tariffs are automatically lowered every month until June 30, 1979, when they will have reached a uniform tariff level of 10% for all imported products. (Cars are the only exception). It can be said truthfully, therefore, that Chile is today one of the most open economies of



the world and probably the only one where a low and uniform, nondiscriminatory tariff will be in effect.

### Price Controls to Free Market

Price controls have been a constant in Chilean economic policy since the mid-Thirties. For political reasons, the prices of necessities were more rigidly controlled—particularly agricultural products—than others. The end result was that production of price-controlled goods—primarily luxury and sophisticated goods—was incentivized. Chile has great comparative advantages in the production of agricultural and agro-industrial goods and therefore suffered greatly in economic efficiency from this policy of price controls. In August 1973 more than 3,500 goods and services had price controls and as a consequence black markets and acute shortages of essential goods flourished. Today, not more than ten goods have controlled prices and even these will be freed as foreign trade abolishes the monopolistic power of their producers.

### Stagnation to Record Growth

The perverse economic policies implemented for almost half a century took a heavy toll in terms of growth. From 1930 to 1970, Chile grew at an average annual rate of 3.5%, which meant that Chileans had to wait for 46 years in order to see their per capita income double.

As a consequence of the new economic policy, this low historical rate of growth will at least reach 7% for a very

long period of time starting this year. Achieving this goal will mean a doubling of per capita income every 14 years and will provide the means to eradicate extreme poverty in Chile—in which condition 22% of the Chilean population lived according to the census data of 1970.

The rate of growth of the GNP for 1977 was 8.6%—well exceeding our goal of at least 7%—which is the largest historical rate we have ever had. Prospects for 1978 are excellent in spite of the fact that the price of copper continues to be at a historical low. (In 1975 Chile lost 12% of its GNP by the sole factor that the price of copper fell by about 50 cents per pound and has not since recovered.)

### Diversification of Exports

The new economic policy has opened up the big world markets for Chilean producers. The potential for economic growth is immense and explains the explosive growth of exports. Non-copper exports have increased from 250 million dollars in 1973 to more than 1 billion dollars in 1977 and the rate of growth of these exports in the first five months of 1978 was nearly 20%.

Nontraditional exports have grown from 98 million dollars in 1973 to more than 600 million dollars in 1977 and have grown by nearly 30% during the first five months of 1978.

### Record Hyperinflation to "Normal"

In 1973 the wholesale price index increased by 147%; the real rate of inflation was much more since this figure did not reflect the existence of black markets where prices were from three to five to ten times higher than the "official" prices which were controlled. By 1975 the rate of inflation was down to 340%; by 1976 down to 170% and by 1977 down to 63.5%. The yearly rate of inflation as of June 30, 1978 is 40% and by December 31 will be no higher than 25% or 30%, which is lower than our "normal" average rate of inflation between 1950 and 1973 of about 35%. Our projections for 1979 indicate that no more than 15%-20% is perfectly attainable.

(continued on page 20C)



# Chile

## The Economy

(continued from page 6 C)

cated strategy; and, finally, the plentiful natural and human resources available in the country.

Chile has adopted an economic development pattern under which resources are allocated through the market. Consequently, freedom of prices prevails. Likewise, the opening to foreign trade has enabled the country to make use of its comparative advantages.

In observance of this policy, the state must take on only those activities which the private sector is not in a situation to meet adequately. It is the latter that must perform the basic role in the economic activity by carrying out the productive tasks which the country demands of it.

To guarantee an adequate allocation of productive resources, it has been necessary to correct the legal system by eliminating the many distortions that existed, in order that all economic sectors and, indeed, all individuals and/or conventional persons, receive nondiscriminatory treatment insofar as tax, tariffs, exchange, credit, and other systems are concerned.

A similar criterion has been applied in connection with foreign savings. A foreign investment statute has been established that provides equal treatment to foreign as well as to local investors.

The policy has uncovered the natural

resources which the country enjoys, a situation that has contributed to the significant growth of nontraditional exports.

Our national territory possesses soil, climate, surface, and hydrographic conditions which provide excellent possibilities to agricultural, cattle, and forest activities, to the extent of placing them on a privileged standing in the world.

In connection with fruit growing, for instance, Chile enjoys conditions and crops similar to those of California in the United States and Spain in Europe, which are areas particularly devoted to this activity.

In turn, in the field of forestry, Chile enjoys the most favorable conditions in the world to grow insignis pine, which enable these pines to be used at an age between 20 and 30 years.

In sea resources, the country has one of the world's longest coasts in proportion

to its surface and has shown that the exploitation thereof can at least be doubled.

Finally, Chilean mining resources are bountiful. The country holds 25 percent of world copper reserves, besides possessing other yet unexploited resources (lithium, oil, and so on.)

In addition to its natural resources, Chile has a highly capable human capital, inasmuch as less than 7.5 percent of its labor force is illiterate and more than 91 percent has had at least basic schooling, with a high percentage with intermediate and higher education.

In sum, Chile is a good place to invest in because it has adopted a coherent economic policy that is based on the adequate use of its vast natural and human resources and which has begun to exhibit clear and significant results, thus offering stability to potential investors.

Moreover, Chilean legislation includes clear and impersonal rules that guarantee a stable and nondiscriminating treatment to all sectors of economic activity, as well as to foreign and local investors.



**The largest oil company in the world is investing \$1 billion in Chilean mining. Please comment.**

The interest to invest in Chile shown by reputable international corporations provides proof of the favorable conditions that exist in the country. In addition, it represents a recognition of the seriousness of Chilean rulers and technicians and of progress attained in connection with growth and stability. Likewise, it shows the immense potential existing in Chilean mining.

Leading companies in the world market are aware of the significance involved in long-range planning. Thus, many of them,

(continued on page 11 C)



**Hernan Briones**  
President  
**H. BRIONES Y**  
**COMPANIA S.A.C.I.**  
**CEMENTOS BIO-**  
**BIO S.A.**  
**INDURA**

### A Balanced View ... Plus Evidence

In a small market of eleven million people growth is not easy. However, the high quality of Chilean personnel and the conditions prevailing due to the economic system of the present Government, permit us to grow and to export to markets, practically without limit.

We should not forget that under our new system, both national and foreign controlled industries here have the same opportunities and taxes, plus the fact that since custom duties have been reduced, strong foreign competition has to be faced in our internal market as well as in the international one.

In spite of these factors, we industrialists—now free from State controls and the limitations which burdened us in the past—have accepted these challenges and are improving our technology and productivity whether alone or with foreign licenses.

Our companies are currently investing some US\$17 million, with larger sums scheduled for the coming fiscal years.



**Enrique Cantolla B.**  
General Manager  
**CANTOLLA Y CIA.**  
**S.A.I.C.**

### Chile ... "Sort of a Promised Land for New Projects"

The established economic rules are so extremely favorable, that they have generated an economic development of outstanding success. At first sight, this analysis may appear to be somewhat over-optimistic, but it is made without minimizing those problems that have yet to be overcome.

It is interesting to point out that both the impersonality of the economic model and the established rules, are the most important factors in Chile's fast economic recovery and expansion, based on a solid and permanent foundation.

It is also noteworthy that the economic policy is changing the country's structure itself, by motivating more generous corporate attitudes and by creating more rational consumers, which have an evergrowing awareness of what they can ask for, in their purchasing activities.

All this, I believe, creates a most favorable economic environment and ... sort of a promised land for new projects.





**"After five difficult years of national recovery,  
it's really great to be in **Chile.**"**

*Washington Tour Operator*

"To our clients, Chile is an unforgettable experience, simply because the world's longest and narrowest country offers something for everyone. Chile is *the* country of contrasts."

"Our clients find deserts and glaciers, seas and volcanoes, rivers and lakes . . . and the majestic Andes all along the country's length."

"Some are curious about the landscape, the religious festivals, the museums and mystery of Easter Island. Others enjoy skiing the Andes (July and August), the challenge of hunting, the test of fishing the Pacific, or the peace of fishing the lakes."

"Most are impressed with the fashionable beaches (January and February) or the quiet and romantic ones; also, the modern, cosmopolitan cities or the contrasting picturesque and charming villages where centuries of time have not changed them."

"But, most important, our clients like the friendly-hearted Chilean people—a smiling people who have proudly rebuilt their own country during the last five years."

"As professional tour operators, we *know* that our clients love Chile. So many can't be wrong about a great tourist destination!"



Servicio Nacional de Turismo  
National Tourist Service/Catedral 1165/P.O. Box 14082/Santiago de Chile





## Overviews of Chile



Among The Most Famed  
Chilean Traditions,  
There Is One You Can Bring Home  
And Enjoy Every Day:



**Chilean Wine.**

DUSSAILLANT • *Santa Rita* • SAN PEDRO  
*Santa Carolina* • Undurraga • *Concha y Toro*



ASOCIACION DE EXPORTADORES Y  
EMBOTELLADORES DE VINOS DE CHILE  
MATIAS COUSINO 82, OFICINA 1207  
TELEFONO 87571, SANTIAGO 1, CHILE

APV

Partners  
for progress  
in Chile.



Laboratorios Saval S.A.  
Panamericana Norte 4600, Santiago

Chilean representatives for:



BRL  
Beecham Pharmaceuticals  
65 Industrial, South-Clifton  
New Jersey, U.S.A.



(continued from page 8C)

including Exxon, appreciate the economic potential that Chile has and the advantages which they can obtain by operating in our country.

#### What assistance does the government provide to foreign investors?

The government considers that foreign investment must fall within the general policy of the country, insofar as not discriminating among sectors, regions, or individuals, and likewise offers clear and impersonal rules to all of them.

Consequently, the best assistance Chile provides to foreign investors is to extend them the same conditions it does to domestic investors.

In the same sense, the government cooperates with foreign investors by providing them with all available information on the current economic situation and existing natural resources, as may be requested by them.

Finally, the greatest interest in the foreign investor lies in forever attaining a growing economic and social stability, which is something that is being gradually achieved through the economic and social development pattern that has been implemented.

#### Which is the agency responsible to potential investors?

Foreign investment is authorized under public deed agreement entered into by the State of Chile and the foreign investor concerned. The agency acting on behalf of the State of Chile is the Comité de Inversiones Extranjeras (Foreign Investment Committee), presided over by its chairman and including various ministers (Economy, Development, and Reconstruc-



tion; Finance; Foreign Affairs; Minister Director of the National Planning Office, in addition to the minister of the field concerned).

This committee has a Secretaria Ejecutiva (Executive Secretariat) that is responsible for all activities in connection with foreign investments.

In addition to this secretariat, there are public agencies available to furnish information, both general and on specific sectors of interest. For instance, the national planning office, Oficina Nacional de Planificación (ODEPLAN); agricultural planning office, Oficina de Planificación Agrícola (ODEPA); development corporation, Corporación de Fomento de la Producción (CORFO); forest agency, Corporación Nacional Forestal (CONAF); fishing development agency, Instituto de Fomento Pesquero (IFOP); export promotion agency, Instituto de Promoción de Exportaciones de Chile (PROCHILE); mining and metal research agency, Centro de Investigación Minera y Metalúrgica (CIMM); Comisión Chilena del Cobre; and the tourist board, Servicio Nacional de Turismo (SERNATUR)—and many other related agencies in the various fields.

#### In what areas of Chilean economy are foreign investors most welcome?

Preference in connection with areas of investment is not up to the government, but rather to the investors themselves and their evaluation criteria.

However, one could anticipate that the areas with greater possibilities are those in connection with natural resources and/or involving a more intensive use of labor.

#### What areas are closed to foreign investment?

No area of the economy is closed to foreign investment, and only under the following conditions is a Foreign Investment Committee decision required:

- Investments exceeding US\$5 million, or the equivalent in other currencies.
- Investments in sectors or activities normally developed by the state, in addition to those concerning public utilities.
- Investments in mass communications media.
- Investments by a foreign government or



Eduardo Guisasti T.  
Chairman  
VIÑA CONCHA Y  
TORO S.A.

#### Testimonial to Private Initiative

Viña Concha y Toro is a Chilean corporation formed in 1883 by the Marquis Melchor de Concha y Toro who imported delicate crops of grapes from France to be planted on the Maipo plains, the best wine region in Chile.

This corporation, the largest wine producer in Chile, owns over 1,000 hectares of vineyards and with its modern wine processing plants, produces up to 270,000 bottles a day. As one of the leading 100 firms in the country, Viña Concha y Toro exports more than 50% of the total amount of bottled Chilean wines.

In addition to several Gold Medals at international expositions, Viña Concha y Toro has won the International Export Award for the years 1977 and 1978.

Since 1974, when the Chilean economy returned to the private enterprise system, Viña Concha y Toro has renewed its machinery, purchased new vineyards, and increased its exports. During 1974, the firm exported 2.5 million bottles, while in 1977, this figure was doubled.



Jose Rabat  
President  
VINOS JOSE RABAT

#### Chilean Grapes and Wines: Non-Traditional Exports

Chilean economic development during recent years is basically founded on the expansion of non-traditional exports. The income that the country has received from low world copper prices, has been offset, and in fact increased due to pragmatic and sound economic policy.

Agroindustrial exports, featuring grapes and wines, are important items in this policy. During the last three years, the volume of grape and wine exports has increased 300% with respect to the prior period, and it continues to improve.

To accomplish this expansion, new investments have been made in plantations, industrial installations, the reconditioning of existing plants, the training of personnel, raw materials and the application of professional techniques to capture markets.



BUSINESSMEN'S  
DIALOGUE  
WITH  
**Chile**

## The Economy (continued)

a conventional person under public law.

All other foreign investments are authorized directly by the Executive Secretary of the Committee, after approval by the chairman of the committee.

### What foreign companies have established operations in Chile during the five years in office of President Pinochet?

During the term of office of the current government, 289 new foreign investments have been authorized, in addition to 95 increases of those originally authorized.

Of these, 91 represent applications sub-

mitted by the United States concerns, involving 32.8 percent of the total. However, on the basis of actual dollar investments, these applications cover \$1.6 billion, or 66 percent of the total.

Among the outstanding United States companies that have started operations in Chile, we find:

- **Financial sector:**

City Bank, Bank of America, and Bank of Boston.

- **Mining sector:**

Footo (lithium in Atacama); St. Jose (copper in El Indio); Falconbridge and Superior Oil (copper in Quebrada Blanca); Exxon (copper in La Disputada); and Arco (oil).

- **Industrial sector:**

Firestone, 3M, Johnson and Johnson, Gillette, Goodyear, Diamond Shamrock, and Dart Industries.

### Which are the most significant features of the Chilean Foreign Investment Law?

The Foreign Investment Statute, published in its second version on March 18, 1977, includes three basic principles:

- **Nondiscrimination.** This principle, established by economic policy, extends to foreign investors the same treatment given to domestic investors.
  - **Impersonality.** The investor is free to act in observance of his own criterion in any economic activity, guided only by the principles of profitability and efficiency.
  - **Automation.** Simplicity in formalities.
- These principles reveal three basic features:
- **Remittance of capital.** Capital and net profit originating in the project may be freely remitted abroad, and no period is established for exercising this right. However, remittance can only be carried out after three years from the date of entry into the country.
  - **Tax system.** Investors have the option to choose between an invariable tax system over a period of ten years at the rate of 49.5 percent of income, or otherwise the normal system as may be in effect and that currently involves one point less.

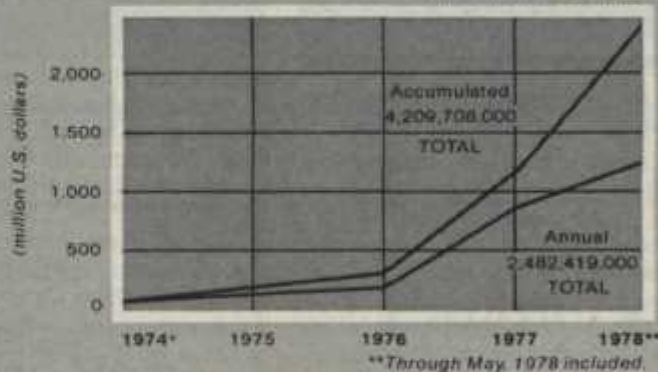
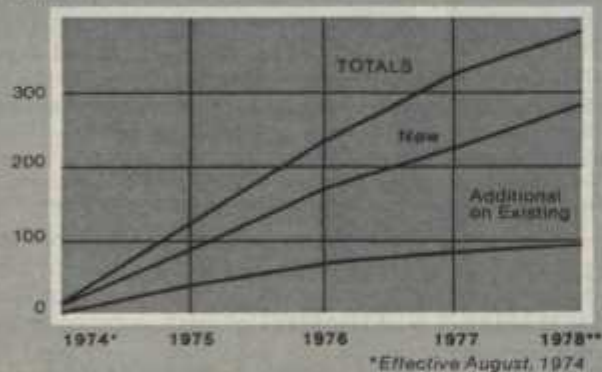
• In addition, and throughout the period in which he carries out his investment, the investor is extended the possibility of

(continued on page 22C)

Numbers

### Authorized and Currently Effective Foreign Investments

Amounts in U.S. Dollars



**Fernando Leniz**  
President  
**CELULOSA**  
**ARAUCO S.A.**

#### Potential of the Forestry Sector

Several million hectares of land unsuitable for agricultural farming, but with a soil, altitude and climate most appropriate for growing softwood trees; plus a fiscal incentive equaling 75% of the actual cost of forestation; and 40 years of experience industrializing radiata pine (i.e., a specie brought from California 60 years ago) ... add up to give Chile an enormous growing potential in the forestry sector.

Up to 30 solid cubic meters per hectare of annual growth on the coastal areas, plus a 600,000 hectare area of radiata pine forest expanding at 80,000 hectares per year; plus over US\$200 million in annual exports of lumber, wood pulp, newsprint and paper ... clearly demonstrate the feasibility of this potential.

The long Chilean coastline, several rivers and short transport distances to the sea, provide additional advantages for the further development of forest activities.

All these factors are complemented with the realistic and sound economic policies prevailing in the country.



**Dennis Branth Murray**  
General Manager  
**CHRISTENSEN DIA-**  
**MOND PRODUCTS**  
**DE CHILE S.A.**

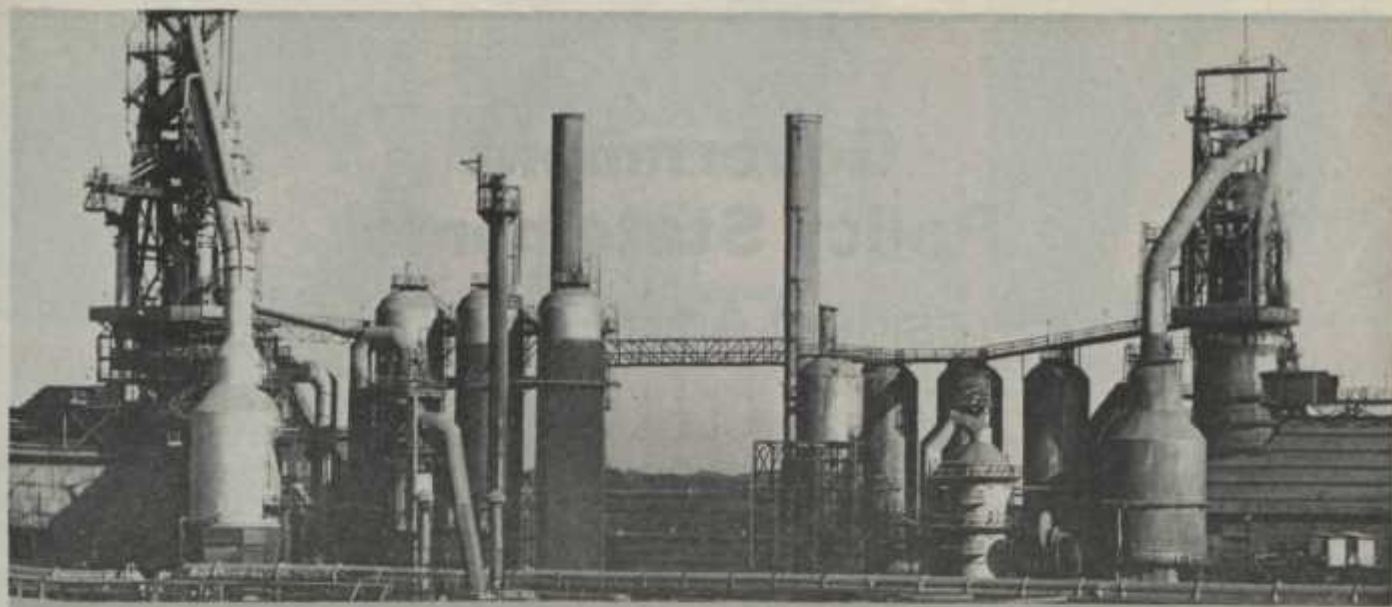
#### Mining Industry Supplier Expands

As one of the world's largest manufacturers of diamond products, we've been engaged in Chilean mining activities during the past 15 years. We have faith in Chile's mining industry, the largest in South America, and manufacture mining coring bits and other diamond products.

In recent years, strong competition from imported products, created by the rational reduction of import tariffs, has geared Chilean industry to invest in producing goods and services, competitively, resulting in improved quality and price reductions.

The present and future outlook is encouraging with growing market conditions for our other product lines, which were not feasible in the past. Convinced that under the present business and economic environment plus the growing demands, we continue to expand our company's participation in Chile's economy.





# CAP: A Fully Integrated Iron/ Steel Complex

## Preamble

CAP, a Chilean industrial complex founded in 1946 to produce steel from the Republic's rich ore deposits, serves both the domestic and foreign markets.

Current steel production is 620,000 tons per year, and production capacity is being gradually increased to 1,000,000 tons annually to meet the demands of Chile's expanding economy and for export. Iron ore production capacity is approximately 8.0 million long tons, plus 3.5 million long tons of pellets, via a new US\$ 250 million facility.

Approximately 85% of CAP's iron ore is shipped to Japan, with the

balance in spot sales to the United States, Europe and Latin America.

## Structure

CAP's principal operations, as an autonomous state enterprise, are structured to expedite: a) steel production; b) iron ore extraction; and c) exports, which include the new pellet plant activities.

CAP's international joint ventures in Argentina (COMARCH), Ecuador (ANDEC) and the Netherlands (PACIFIC ORES & TRADING B.V.) operate as autonomous subsidiaries.

## Function

CAP's Huachipato plant produces finished steels for the private sector of the Chilean economy. Steel produced by CAP competes with quality imports without protection. This competition has been successfully met by CAP, as evidenced by Chile's 1978 steel imports being reduced to half of the 1977 level, although the domestic demand for steel is surpassing the 1977 level by 25%.

## Recent Developments

- May 1976—CAP's Huachipato steel plant opens oxygen converter shop. By the end of 1977, all steel production was processed by this unit.
- August 1978—Steel plant is currently working to replace one 4-Hi-reversing mill with four 4-Hi-finishing mills; a US\$ 32 million investment.
- March 1978—CAP's new iron ore pellet plant at Huasco, with an annual capacity of 3.5 million tons, was inaugurated; a US\$ 250 million investment.

## Today

Today CAP is a fully integrated iron/steel complex... from domestic iron ore extraction to a wide variety of steel bars and flat products... applying the most modern technology to serve our domestic and international clients as a dynamic, market-oriented enterprise.

CAP welcomes the business leaders in North America to participate in Chile's rapid industrial recovery and current economic expansion, trusting that we may serve you both in our homeland as well as yours.

# CAP

COMPANIA DE ACERO DEL PACIFICO S.A.

Head Office:  
Bandera 84  
P.O. Box 167-D  
Santiago, CHILE  
Telex: 40288CL CAPSANTIAGO  
Cable: CAPSANTIAGO



# Government Policy Statements

## Chile's President Addresses The Issues

### Economic Recovery

In the economic field, we are able to demonstrate such broad and solid progress in today's Chile, that even the most pungent critics of the economic policy of this Government have come to admit its rightful approach and success. Only those blinded by personal ambition or political passion can persist in their negative attitude in the face of such concrete and real progress.

### Social Benefits

Together with its preoccupation with economic progress, the Government has consistently required that such progress be translated into effective social justice, simultaneously, by designing a mechanism that ensures an ever-increasing equal distribution of the national revenue and by devoting to the poor more specific attention than any of the former governments.

In this regard, and fully aware of the unemployment rate (i.e., 16.9%)

that still exists, the Government will push forward a decisive and direct action plan to create new jobs during 1978, by giving maximum priority to this objective within our social program.

### Creative Normalization

To yield to those who wish immobilization (i.e., status quo) would be to forget that a Military Government cannot be eternal and that its work only will be fruitful with the establishment of a new political institutional system that is both stable and durable... based upon the correct legal avenues and authentic social participation. These are the essential elements which a renewed and solid democracy requires.

On the other hand, to yield to those who at the other extreme intend to provoke the downfall of our nation would be to forget that the Military Government was forced to take office to correct the deep-rooted ills which became so acute that they became

manifest in a chaotic Marxist system—the roots of which go back to prior years of demagoguery that inhibited the progress of our nation.

To ignore or not to understand these fundamentals means that the work that needs sufficient time to reach down to the roots of our national ills would never be finished. The nation would again be thrown into chaos, and a power vacuum would be created, worse than we suffered immediately prior to September 11, 1973.

It is precisely for this reason that the Government has laid down the concept of "creative normalization"—inasmuch as neither the normalization process nor the creation of a new institutional system would imply a return to the formulae of the past, which unequivocally proved exhausted.

### Our Mission

Fully aware of its historic mission, and true to the deeply juridical tradition of

*(continued on page 18C)*

### A Testimonial to Chile's Business Climate

Following Chile's return to the private enterprise system during the final quarter of 1973, the country endured a multiyear recovery period. The economic recovery, difficult for 11 million Chileans, was sparked by the revitalized private sector.

Empresa Minera de Mantos Blancos S.A., member of the Hochschild Group, took advantage of the country's favorable business climate in 1974 by establishing a venture in another sector of the national economy.

The resulting US \$15 million investment or "vote of confidence" in Chile's rich agricultural resources, was operative within 9 months and is now a large agro-industrial complex. Today, the Consorcio Agro-Industrial de Malloa S.A., serving as an integrator between the farmers of Chile's rich soil and consumers in the industrialized countries, as well as the home market, exports quality tomato paste and fruit concentrates to eleven countries.

CONSORCIO AGRO-INDUSTRIAL DE MALLOA S.A.  
MAURICIO HOCHSCHILD S.A.I.C.  
EMPRESA MINERA DE MANTOS BLANCOS S.A.



Gonzalo Ibáñez  
Langlois  
President  
COMPANIA CER-  
VECERIAS UNIDAS

### Opportunities for Growth and Diversification

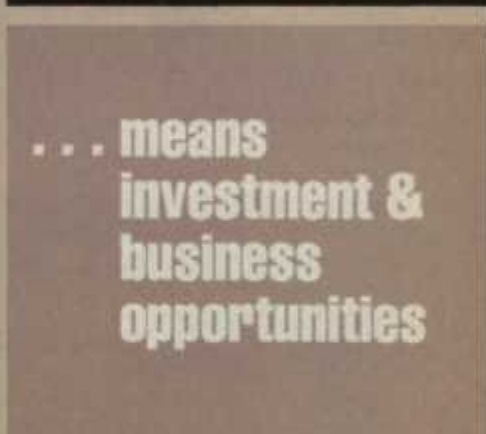
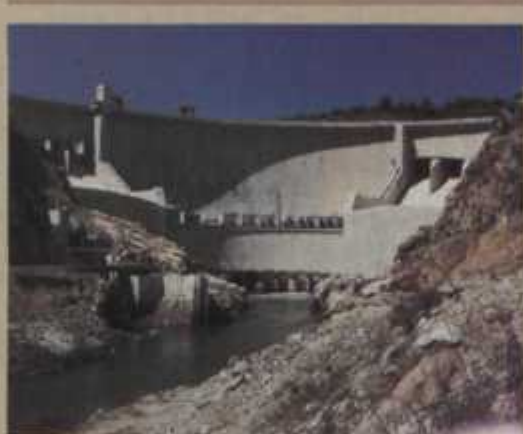
We believe that the Government's economic policies open enormous prospects for investments, affording unique opportunities for growth and diversification.

As one of the largest and oldest private industries in the nation (founded in 1850), we recognize the need to merge progress with tradition. Thus we are continually modernizing, investing in new plants and incorporating new and retrained professional talent into our management structure.

But we also recognize that many opportunities bypass our traditional fields of brewing and soft beverages. Consequently, we are studying new projects of diversification for realization in the immediate future.

Our faith in Chile's future and the professional quality of our group, inspire the confidence and optimism of this 129-year-old progressive enterprise.







# For Private Investors, a Special Interview about CORFO

With General Luis Danus  
Executive Vice President, Corporación de  
Fomento de la Producción.



## What is CORFO?

CORFO is the Corporación de Fomento de la Producción, an autonomous institution of the Government of Chile. It has its own capital resources, and it is fully authorized to acquire and to exercise rights and to assume obligations.

CORFO is in charge of promoting the development of productive activities in Chile, principally through the encouragement of investments.

CORFO grants credits and guarantees to the private sector. It investigates proposed development projects, and helps bring into being those projects which are based on a sound foundation.

## Why and when was CORFO formed?

The need to rebuild the country through a Corporación de Fomento de la Producción grew out of the world depression of the 1930's and the Chilean earthquake of 1939.

CORFO was brought into existence

by Law No. 6640, the final wording of which was clarified in Supreme Decree No. 2,800 of the Ministerio de Fomento published January 10, 1941.

The purpose of CORFO was to aid in the development of national production, and to elevate national living standards through greater utilization of the country's natural resources. The purpose was to reduce production costs, to stimulate trade and to improve Chile's international balance payments.

In establishing CORFO, attention was focussed on the development of mining, farming, industry and commerce, and to satisfy the living requirements of the people in the different regions of the country.

## What is the structure of CORFO today?

CORFO today is structured to carry out its basic functions and to fulfill its objectives.

Its executive staff is composed of trained and experienced university graduates. CORFO is governed by an administrative board composed of: the Minister of the Treasury, the Minister and Director of the Office of National Planification, a representative of the President of the Republic of Chile, and the Executive Vice President of CORFO.

The board is entrusted with the management of such activities as development, research and the formation and operation of business enterprises. The structure of the development section is similar to that of a development bank.

In addition to its other activities, CORFO has a Division of Normalization, which is responsible for the regularization of enterprises that were taken over by the Corporation during the regime of the previous government, and which at this time are being returned to the private sector, along with agricultural and industrial plants, machinery, equipment, real estate, and other assets.

The Office of the Executive Vice

President of CORFO is basically engaged in supporting the Board of Directors and the consolidation of all information relative to the general organizational level.

## What are the basic functions of CORFO within Chile's private enterprise system?

Within Chile's private enterprise system, the basic functions of CORFO are:

1. To encourage applied research, studies and projects oriented toward the creation and incrementation of the nation's productive resources—human, natural and technological;
2. To increase the use of financial resources by the granting of credit and guarantees to the private sector for the purpose of supporting the materialization or expansion of investment projects, aiming at increasing national production;
3. To manage, by sustained and direct action, the administration of those affiliates that have remained under the control of CORFO.

## Identify CORFO's principal affiliates which are classified as basic enterprises.

CORFO's basic enterprises or affiliates are:

1. Compañía Chilena de Electricidad S.A. (CHILECTRA)
2. Compañía Aceros del Pacífico S.A. (CAP)
3. Compañía de Teléfonos de Chile S.A. (CTC)
4. Compañía de Teléfonos de Coyhaique
5. Compañía de Teléfonos de Valdivia (CONATEVAL)
6. Empresa Nacional del Carbón (ENACAR)
7. Empresa Nacional de Computación e Informática Ltda. (ECOM)
8. Empresa Nacional de Electricidad (ENDESA)
9. Empresa Nacional de Explosivos (ENAE)
10. Empresa Nacional de Petróleo (ENAP)
11. Empresa Nacional de Telecomunicaciones (ENTEL)
12. Industria Azucarera Nacional (IANSA)
13. Sociedad Química y Minera de Chile (S.Q.M.)



**Under the socialistic policies of the UP Administration (Nov. 1970-Sept. 1973) 445 companies and 19 banks were absorbed by CORFO. What has happened to these enterprises since the return of Chile to the private enterprise system?**

Of the total of 445 enterprises intervened by, or absorbed by CORFO as of the end of 1973, disregarding its basic affiliates, CORFO has thus far sold 149. Three of the enterprises which have not been sold are on a special status, 22 are now being liquidated, and four are in bankruptcy proceedings. Twenty-eight remain to be sold and ten, it has been decided, will not be returned to the private sector.

Therefore, from 1973 through 1978, 229 enterprises have been returned to their legitimate owners.

Also, during the same period of time, nine commercial banks have been sold. As of this date, six remain to be sold, and four are in the process of being alienated.

**In which areas of Chile's national economy does CORFO currently offer opportunities for private capital?**

At the present time, CORFO offers opportunities to the private sector in practically every area of production of the Chilean economy, and especially in the areas of industry, agriculture and mining.

The areas of services and construction are not covered.

**Identify specific opportunities available in the Chilean economy.**

The Chilean economy offers technically qualified, skilled and quality labor, which makes possible the realization of projects involving complex activities:

And the existence of a wide variety of natural resources in great quantity in Chile offers wide possibilities in the international market. Specifically: mining, forestry, fishing, agricultural and energy resources.

**In addition to the sale of established enterprises and banks, what other projects are of interest to foreign entrepreneurs?**

Foreign entrepreneurs should be interested in those projects which CORFO is now carrying out but which, because of their magnitude, cannot be handled by the domestic private sector.

Examples of projects which are now being carried out in association with foreign investors are: exploitation of lithium with Foote Mineral/USA; forestry for the production of cellulose with Marubeni, Sanyo and others; the mining of potassium; the mining of boron; the exploitation of flounder and of krill; and exploitation of poly-metallic products; and so on.

For this reason, CORFO makes available to foreign investors sufficient information so that they may make their investment decisions. An essential part of CORFO's task, in addition to its other responsibilities, is to prospect for natural resources, with a view toward investments.

**What services and assistance does CORFO provide to private businessmen?**

CORFO offers both credit assistance and technical assistance to private businessmen.

The credit assistance to the private entrepreneur is through direct financing by the granting of loans, and through indirect financial aid by the granting of guarantees by the corporation for obligations toward third parties in the financial international market.

The technical assistance and services which CORFO puts at the disposal of the private sector are widely diversified. These in particular should be mentioned:

- Technological assistance, such as

specialized counseling on the solution to difficult problems.

- Centers of Enterprise Qualification and Specialized Labor.

- Documented information on natural resources, such as mining, fishing, forestry, water, climate, soil.

- Information of any kind via satellite in connection with a Lockheed Center in California, USA.

- Other specialized services, such as computation, quality control, and so on, through affiliated enterprises.

**Where are CORFO's international offices?**

CORFO's main international office is located in New York City.

The address:

CORFO, One World Trade Center, Suite 5151, New York, N.Y. 10048.

The manager of this office is Sergio Undurraga Saavedra.





(continued from page 14C)

our country, the present Government has been concerned, from the very beginning, with facing emergencies by using all the necessary authority to guarantee social peace, however, always with a view to building a new and solid institutional system.

Already in our Declaration of Principles we were clear to state that we considered the existence of a juridical system, respectful of human rights, as a framework for this Government and that we believed that the establishment of a new and modern institutional system was an essential task in providing real stability to the new democracy that Chile is erecting.

### **Nationalistic and Christian Humanism**

The humanistic, nationalistic, and Christian thinking that summarizes our Declaration of Principles represents the cornerstone that inspires our conduct. Hence our wide and invariable respect for the Judicial Power; the appointment of the Constituent Com-

mission; the enactment of the Constitutional Acts prepared by this commission; the establishment of a Council of State invested with the highest republican status; the organization of the Legislative Committees; the enactment of various laws directed to issue guarantees to individuals under arrest in a state of emergency; the gradual release of all individuals detained under the state of siege; and Chile's constructive attitude of cooperation shown in the international organizations.

### **Authority and Justice**

To guarantee social peace, that today so few countries in the world enjoy, we have exercised authority with vigor, however invariably observing the standards of justice that emerge from the deep moral and juridical concept that guides us.

These spiritual convictions are the best guarantee that this Government will never fail to distinguish authoritarianism and arbitrariness or personal persecution. We shall never use a

single legal provision to stifle freedom of thought or liberty of conscience, except insofar as to prevent the irresponsible or subversive activity of those who, knowingly or otherwise, could cause us to return to chaos.

With the almighty help of God, with deep faith in the courage and patriotism of our people, and with the boundless enthusiasm of Chilean youth, the country will continue to move forward to its great objective: "To make of Chile a great nation."

### **The New Democracy**

This indicates the need of walking along the path of law . . . forever harmonizing flexibility in social evolution with certainty in an objective and impersonal juridical standard, equally binding to rulers and people alike. With this outlook, we clearly saw that our duty was to share a new *authoritarian, protected, integrating, technical democracy with authentic social participation*. These characteristics are best understood when the individual divests himself of his self-idolatry.



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via our modern fleet of airplanes.

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ambition, and selfishness.

A democracy is "authoritarian," insofar as it must be provided with a strong and vigorous authority and be capable of enforcing a juridical system that truly guarantees the rights of the people, under the adequate protection of independent courts of law invested with sufficient authority to obtain observance of its resolutions.

"Protected," insofar as it must guarantee the fundamental concept of our Declaration of Principles as a basic doctrine of the State of Chile, thereby replacing the classical, candid, and defenseless liberal state by a new one committed with freedom and the dignity of man and the essential values of our nationhood. Consequently, any attempt against these principles, the content which has been gradually established by the Constitutional Acts currently in effect, is considered to represent an illicit act against the institutional order of the Republic.

Freedom and democracy cannot survive if they are deprived of the means required to defend themselves against those who tend to destroy them.

"Integrating," insofar as it must strengthen the National Objective and permanent Objectives of the Nation, in order that beyond all legitimate differences in other more circumstantial aspects, coming governments may reflect in the future the essential continuity which has been lacking in the past. This will originate a powerful element of unity among the great Chilean family, for so long the target of systematic attempts to disunite it by pro-

moting the struggle of classes that do not or ever should exist.

"Technical," insofar as the whirling scientific and technological progress of the world today cannot be ignored by the juridical structures that require to hear the voices of experts in studying their decisions. This alone will enable discussion at an adequate degree and level, to reduce the margin of ideological debate to its true proportions and thus take advantage of the contributions provided by the most capable and provide stability to the system.

With "authentic social participation," insofar as a society is truly and fully free only to the extent that, on the basis of the principle of subsidiarity, it consecrates and respects the real autonomy of intermediate groups between the individual and the State, in pursuing their own purposes. This principle is the basis for a social body gifted with creative vitality, as well as for an economic freedom that, in observance of the rules established by the authorities in protection of the common good, will prevent individuals to suffocate under the yoke of an almighty State.

### The Various Stages

As has been conceived, the gradual process contemplates three stages: (a) Recovery, (b) Transition, and (c) Normality or Consolidation. These stages are featured by the different role that the Armed and Order Forces, on the one hand, and civilians, on the other, will play in each one of them.

Furthermore, they may be singled out by the juridical and institutional instruments that will be established or used in each one.

During the stage of Recovery, the Armed and Order Forces have been required to assume all the political power, with the cooperation of civilians. However, in the future, its most contingent aspects will be shared with the civilians who will thus proceed from cooperation to participation (i.e., Transitional stage).

Finally, we shall arrive at the stage of Normality or Consolidation, and power will be exercised directly and basically by the civilians, with the Armed and Order Forces retaining the constitutional role of contributing to safeguard the essential bases of the institutional system and national security, considered from the standpoint of their broadest and decisive modern projections.

Although we find ourselves fully in the state of Recovery, I feel that progress made in all order of things is leading us to that of Transition.

We do not ignore that many obstacles, ambitions, and personalisms will be raised in our way, that in endless forms they will tend to prevent our progress and make us return backwards to where only the shadows of slavery await. But we are certain that the light that rises at the end of our road will always be stronger and brighter and, above all, I have full trust in God, in the people of Chile, and in the Armed and Order Forces that patriotically guide our destinies today. ★



**Jorge Ross Ossa**  
President  
**CIA DE REFINERIA  
DE AZUCAR DE VINA  
DEL MAR - CRAV**

### The Chilean "Economic Miracle"

In the past we witnessed the amazing economic revival of Germany after World War II, of Japan after the Pacific conflict, of Brazil in the underdeveloped world. Chile has now joined this list!

A major economic revolution has taken place, unnoticed by vast numbers of international businessmen. From 1,000% inflation in 1973 to perhaps 35% in 1978. From a negative growth economy in 1973 to a 7% growth in 1978. Gone are price controls; the market now sets the course. Gone are disproportionate tariff barriers; local production now competes with imports. Gone are the days when copper alone was responsible for the trade balance.

For sugar it has meant competition at home from imported sugar. Yet it has also meant foreign markets for our cane sugar in Nigeria, Iran and other countries.

A great challenge for the entrepreneur



**J.L. Nápoles**  
General Manager  
**DIAMOND  
SHAMROCK DE  
CHILE, S.A.I.**

### Today's Chile... A Unique Opportunity

There are very few countries in today's world where private enterprise is so highly regarded as it is in Chile. In this spirit, Chile has opened its doors to foreign investors.

Our company, Diamond Shamrock, is an international leader in the production of Chlorine. Well over 45% of the free-world's production of this product utilizes our technology. More significant is the fact that since 1973, approximately 90% of all new Chlorine production installations utilize our technology.

We at Diamond Shamrock are pleased to participate in the Chilean market and will bring into our recently acquired production facilities not only the leading technology, but also the know-how required to develop and expand into other commercial opportunities available in today's Chile.



### Increase in Capital Goods Imports

As a consequence of the rapid rate of growth our economy is experiencing, an acceleration of imported capital goods is apparent. From 240 million dollars of capital goods imports in 1973 we increased to 340 million in 1976 and to more than 500 million in 1977. In the early 1980's they will be exceeding 1 billion dollars.

### Foreign Investments

Attracted by the sound economic policies that are being implemented and by the great growth potential they have unveiled, foreign investment is coming in at unprecedented rates.

From January 1974 to June 1978, about 2.5 billion dollars in foreign investments have been approved by the Foreign Investment Committee. (A great part is in mining activities which will take from three to eight years in maturing). It is interesting to point out that after withdrawing from the Andean Pact at the end of 1976 we liberalized our foreign investment stat-

ute considerably. The amendments were approved in March 1977 and from this date to June 1978 more than 2 billion dollars (out of the total of 2.5 billion) were approved.

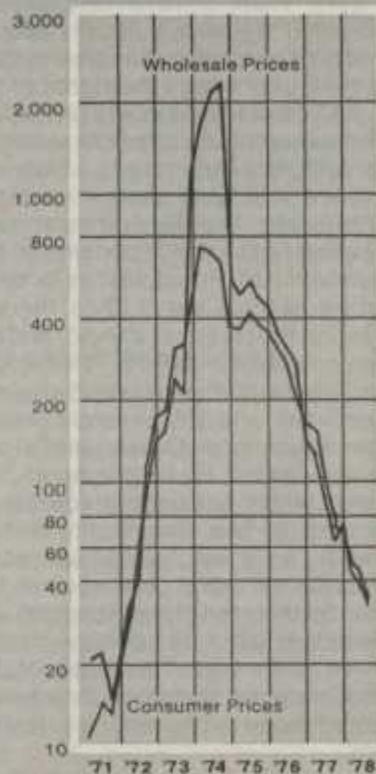
The most important amendments are:

- Absolute freedom to repatriate profits whatever their level might be.
- Absolute freedom to repatriate the capital invested after an initial period of two years.
- Legal guarantees for nondiscriminatory treatment in any way vis-a-vis national investors. Any franchise given to a national must also be given to foreign investors.
- Possibility to freeze tax and tariff treatment for a period of ten years.

### Social Policies

Cutting down inflation has meant adopting stringent fiscal policies; however, social expenditures have not only been maintained but also have been increased considerably. These expenditures have been consciously directed toward the extreme poverty sectors under child and mother care; nutritional programs; health services;

ANNUAL INFLATION RATES  
— OFFICIAL PRICE INDEXES



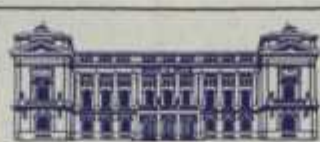
## When doing business in Chile, do business with Banco de Chile!

Banco de Chile was born at the dawn of the Republic of Chile.

It has almost as much experience as the country itself. Because of its long history of forward looking policies, it is the most influential and important bank in Chile. The income from its foreign trade operations alone nearly equals that of Chile's largest export: copper...

Wherever you may be doing business in the U.S., Banco de Chile is waiting to serve you through its country-wide network of correspondent banks.

Do business in Chile through the bank that shares its name.  
Banco de Chile.



**Banco de Chile**



**Chilean Companies Among the 500 Largest in Latin America**  
(Amounts in US\$m)

Ranking	Company	Sales	Total Assets
9	CODELCO—Corporación del Cobre de Chile (Chilean Copper Corporation)	\$1,177.9	\$2,041.9
25	ENAP—Empresa Nacional del Petróleo (National Petroleum Company)	622.6	643.9
50	COPEC—Compañía de Petróleos de Chile, S. A. (Chilean Petroleum Company)	284.2	142.5
85	CAP—Compañía de Acero del Pacífico, S. A. (Pacific Steel Company)	202.8	722.0
128	ENAMI—Empresa Nacional de Minería (National Mining Company)	148.0	259.0
135	Papeles y Cartones (Paper and Cardboard Manufacturing Company)	146.4	160.7
157	Esso-Chile Petroleros (Esso-Chile Petroleum Company)	133.7	46.8
180	Shell-Chile Distribuidora (Shell Distributing Company)	121.9	29.3
191	Sudamericana de Vapores (Chilean Steamship Company)	114.3	90.4
196	LANSA—Industria Azucarera Nacional, S. A. (National Sugar Industry Corporation)	113.0	272.5
197	CHILECTRA—Compañía Chilena de Electricidad, S. A. (Chilean Electric Company)	112.0	761.8
226	ENDESA—Empresa Nacional de Electricidad, S. A. (National Electric Company)	98.4	864.4
285	LAN-Chile (LAN-Chile Airlines)	81.3	85.1
385	MADECO—Manufacturera de Cobre, S. A. (Copper Manufacturing Company)	62.7	48.0
388	CHIPRODAL—Compañía Chilena de Productos Alimenticios (Chilean Food Products Company)	62.4	40.5
402	SOQUIMICH—Sociedad Química y Minera de Chile (Chilean Chemical and Mining Company)	61.3	132.4
433	Compañía de Teléfonos de Chile (Chilean Telephone Company)	57.5	454.7
438	SODIMAC—Sociedad de Materiales de Construcción (Construction Materials Cooperative)	57.3	43.1
463	Ferrocarriles del Estado (Chilean State Railways)	54.7	348.2
484	Celulosa Arauco (Arauco Cellulose Company)	54.5	84.9

social housing programs; education programs which include free breakfast and lunch; social assistance programs, nurseries, etc.

It is interesting to note that social expenditure was 41% of total fiscal expenditure in 1970 and has increased to 51.8% in 1977 and to 53.6% in 1978, having rapidly recovered from 28% in 1973.

Four years ago, a plan was implemented for improving nutrition that has shown spectacular results in the well-being of Chilean children.

The percentage of children under the age of six who suffered some form of malnutrition fell from a high of 68% to 14% by June of 1977. Mortality among children under the age of five years has dropped almost 50%, the lowest of any country in South America. This has come about through the application of the latest scientific and technological advances. During August of this year the directors of CONPAN took advantage of the opportunity of attending the Congress of World Nutrition in Rio de Janeiro to enlist some 90 of its participants to organize a symposium on nutrition in Chile. ★

## What We Mean To You...

Since 1918, AmCham Chile has been serving the industrial and commercial interests of U.S. companies doing business in Chile... as well as the interests in our host country in their relationships with U.S. business.

During the 1970/1973 era AmCham maintained a low profile. Since Chile returned to the private enterprise system, we have been steadily increasing our activities and during the past five years, many new member firms have joined us. AmCham Chile can help any U.S. firm obtain information to study possible investments in Chile. We publish informative materials on a regular basis. Our membership is composed of firms, large and small—American, purely Chilean or of mixed ownership—a basic requirement for admittance being an interest in the development of business between Chile and the United States. What can we do for you?

# AMCHAM CHILE

Chamber of Commerce of the U.S.A.  
in the Republic of Chile  
Hotel San Cristobal, Santiago, Chile  
Cable: AMCHAMBER-SGOCHILE  
Telephone: 74-7167



# Electric Power?

Enough For Any Business Development.

Chile offers businessmen many investment opportunities plus sufficient electric energy to realize these opportunities... profitably.

Since 1940, ENDESA—the national electric power company organized as a private enterprise—has undertaken the systematic electrification of Chile's long miles of national territory.

**TODAY**—ENDESA has benefitted from Chile's great hydrological resources to provide 900 KWH per capita, the third highest among all 12 South American countries.

The entire Republic has an installed capacity of 3 million KW, of which 1.6 million KW correspond to ENDESA. Via legal mandate, ENDESA continues its step-by-step expansion of the electric sector. This expansion, in being successfully accomplished without major alterations, has created an infrastructure which permits national and foreign businessmen to depend upon ENDESA for sufficient power supplies. ENDESA's expansion program guarantees to investors that any business venture, contemplated for Chile, will have its necessary electric energy.

**TOMORROW**—The future is also guaranteed, again due to the Chilean hydrography. ENDESA's studies demonstrate that this country has 18 million KW of hydroelectric energy available for exploitation... energy riches which assure any businessman his power requirements up to the year 2000. To accommodate the immediate future, four major projects are either under construction or programmed:

- 1) **890,000 KW Colbun Plant**—Located in the central zone (Region VII) by the Maule River, this project means improvement of the zone's vast irrigation developments. Excellent tidings for agro-industries.
- 2) **300,000 KW Antuco Plant**—Also located in the central zone (Region VIII) by Lake Laja, this under-construction project will join with existing plants (ABANICO, TORO and BOCAMINA) to form the nation's largest concentration of electric energy. A power base for manufacturers and assemblers.
- 3) **900 Km. Transmission Line**—To reinforce power supplies needed by expanding mining industries in the north (Region III), the transmission line is being constructed to carry 220 KV from southern sources.
- 4) **Aysen Explorations**—A southern zone extremely rich in mineral and forest resources, is AYSÉN (Region XI), located by the Gulf of Penas. Explorations prove the feasibility of large hydroelectric developments which easily exceed 2 million KW for this inaccessible area of 50,000 residents.

ENDESA's US\$90 million funding by international private banks demonstrates their confidence in the feasibility of these projects—developments designed to serve the energy needs of national and international entrepreneurs. You too, can depend upon ENDESA.

**endesa**

Empresa Nacional de Electricidad S.A.  
Santa Rosa 76 Santiago de Chile

## The Economy (continued from page 12C)

unchanging tariffs and service tax systems.

In all other aspects, the principle of non-discrimination vis-a-vis domestic investors is established.

### Are there financial incentives to establish new industries?

The economic policy sustains, as a general guideline, the elimination of discrimination and exceptional systems, by adopting clear, impersonal, and nondiscriminating rules. However, and because of special conditions, there are some situations wherein it has been necessary to extend certain incentives.

On account of the principles that represent the framework for foreign investment, in the sense of giving the same treatment to local as well as to foreign investors, the latter can enjoy the benefits which are extended by these exceptions:

- **Subsidies on the engagement of additional labor.** For every new worker engaged, companies are extended a subsidy representing 30 percent of the minimum income currently in effect.

- **Accelerated depreciation.** Authorizing the accelerated depreciation of new capital goods having a useful life that exceeds five years. The purpose is to encourage investment.

- **Development of far-most areas.** Certain legal provisions were enacted in benefit of the First and Twelfth Regions, involving a special tax system that is temporary in nature and extends decreasing franchises with time until becoming equivalent to the normal system. Some of the exceptional provisions cover exemptions from income tax on capital, an additional rate applied to stock companies, premiums on the use of labor and



**Carlos Ceruti**  
President  
**EDWARDS Y CERUTI,**  
**INGENIERIA**  
**INDUSTRIAL S.A.**

### Chile: A Country with a Future

A sound economy, released from distortions and based on free competition, has strengthened private enterprise and is accelerating Chile's economic development.

Great material wealth, human resources of high professional ability with the capacity to develop complex technologies; social tranquility; political stability; constant watchfulness on the general advancement of the citizens' well-being are the basic advantages which make Chile most appropriate for foreign investments in industries and services, especially for medium-sized operations.

Edwards y Ceruti, Ingeniería Industrial S.A. specializes in construction and industrial installations. In addition, our four factories also manufacture steel structures, transport and material storage equipment, apparatus for industrial processes and various other capital goods.

With renewed faith in Chile's future, we continue to exert ourselves in improving our technologies and in searching for new contacts and opportunities.



on new investments.

• **Forest laws.** The state grants a subsidy to all individuals planting trees on land appropriate for this purpose, equivalent to 75 percent of the cost of foresting, reforesting, and handling.

**Identify specific available opportunities for United States investors.**

Corporación de Fomento de la Producción (CORFO) is inviting bids on all those productive companies which it feels would be best managed by the private sector. Among these are companies in the fishing, mining, shipping, tourism, forestry, and traditional industrial sectors. Moreover, it has stock parcels in five commercial banks that it will put up for sale.

Information on all these is available from the Manager of CORFO Enterprises. In turn, Empresa Nacional de Minería has an interest in about 20 mining companies, particularly copper, that will be turned over to the private sector.

In the field of agriculture, in June 1978, amendments were introduced to the agrarian reform law to authorize the establishment of agricultural stock companies and to eliminate the restriction that set 80 hectares of basic irrigation as a ceiling to agricultural property. These changes open interesting possibilities to foreign investors.

In the field of forestry, current legal provisions in connection with foresting and reforesting open interesting possibilities to investors. In addition, certain studies are available in connection with the exploitation of these resources in Chile—covering approximately 130,000 hectares of virgin forests—by the chips and lumber industries.

In turn, the Panguipulli area offers an attractive project in this field, with its 350,000 hectares of native trees suitable for the production of cellulose and other goods. There is a similar project covering the Cordillera Sanao and its 350,000 hectares of native trees.

Investment opportunities may be found also in the field of energy, such as the utilization of solar energy in the north of Chile, an area with great possibilities in this connection, and one with a shortage of much needed energy to operate its large mining resources. Another possibility is the use of the Aysen hydroelectric resources, potentially capable of providing 5,000 MW of electric energy.

Finally, mining offers a large number of deposits available for investments in gold, silver, lead, copper, zinc, iron oxide, molybdenum, and manganese ores.

*(continued on page 26C)*

**95 Consecutive Years  
in 2600 Consecutive Miles**



The Banco del Estado de Chile, the nation's largest and "longest" chain of banks—202 branches along 2600 straight miles of national territory—offers to assist businessmen in taking advantage of Chile's extensive opportunities.

Founded in 1884, the Banco del Estado offers complete national banking services—i.e., short to long-term credits; export/import financing; collections; foreign currency deposits and exchange; business reports; etc.—as well as our worldwide correspondents, plus participation in three foreign banks—Euro-Latinamerican Bank Ltd., London; Eula-Bank; Banco Latinoamericano de Exportaciones S.A.; BLADEX; and the Arab Latin-American Bank S.A.; Arlabank.

We continuously expand our banking services to better assist Chilean and foreign businessmen who are profit-oriented. May we assist you?



**BANCO del ESTADO**

"Principal Banking Force in National Development"

Avda. Libertador Bernardo O'Higgins, 1111

Telephones: 83-621, 82-197, 83-061

Cable: BANCOESTADO STGOCHILE

Telex: 40481, 40536, 40592



**Carlos E. Joannon F.**  
Executive Vice-  
President  
**EMBOTELLADORA  
ANDINA S.A.**

**Era of Diversification**

Embotelladora Andina S.A. was established in 1946 as a bottling enterprise for Coca-Cola® products in Chile.

Effective 1975, when our national economy opened to foreign markets, Embotelladora Andina S.A. entered an era of great expansion and diversification. Through associated firms or subsidiaries, Embotelladora Andina diversified its operations into a variety of industries, such as the production of beer, wine, concentrated fruit pulps, jellies, etc. During recent years, annual sales have increased 20%. Last year (1977), sales exceeded US\$ 600 million.

In addition to this industrial growth, Embotelladora Andina S.A. branched out into the financial and commercial sectors. The corporation holds 41% of Financiera Condell S.A. and 45% of Comercial Nacional S.A., the latter engaged in the distribution of domestic and imported products within the country.

Thanks to the political stability and realistic approach of the Chilean Government in its economic policy, enterprises such as Embotelladora Andina S.A. can take an optimistic look at the future, since their future matches the nation's development.



# THE WOMEN OF CHILE





# An Historical Tradition Endures

International businessmen who travel through the countries of Latin America, frequently comment about the singular "beauty and femininity" of the women in Chile.

And while this comparative observation may have worldwide acceptance, students of Chilean history know the inadequacy of this external view. For the women of Chile, who currently outnumber their male compatriots, have demonstrated a more important quality during the past five centuries: courage.

When Chile was still known as

"Arauco", the indigenous women in this wilderness of a new continent contributed a name to the gallery of the brave: Fresia, the brave Indian maiden who refused to kneel before the Spanish Conquistadores. Fresia paid the maximum price for her resistance, and the Arauco continued to resist the foreign Conquistadores for three centuries.

Another woman of extraordinary courage was Ines de Suarez (portrait opposite page), a proud matron who disregarded her comfortable manor life to follow Pedro de Valdivia in the hazardous conquest of Finis Terrae. Her example was later emulated by many Chilean women like the "Cantineras", who forsaking everything, followed their menfolk across the desert during the fierce campaigns of the 1879 War of the Pacific.

This noble tradition has endured. During the early 1970s, the women of Chile renewed the courage of their ancestors to again resist foreign interests. Chilean women of all ages, social levels and political ideologies resisted and assisted in deposing an elected regime of government that, imbued with foreign doctrines and Godless persuasions, tried to violently subdue them.

From the first feminine protest "March of the Empty Cooking Pots" of December 1, 1971, where 286 were either wounded or jailed, to the last demonstration on September 5, 1973, it was evident that the women of Chile would not accept the chaotic erosion of their nation's traditional moral, economic, social and familial heritages (photo opposite page). When

(continued on page 29C)



Pictured above are six of the twelve more important women in Chile today: 1. First Lady Lucia Hiriart de Pinochet, President of National Association of Chilean Mothers (CEMA); 2. Monica Madariaga, Minister of Justice; 3. Maria Eugenia Oyarzun, Ambassador to Organization of American States (OAS); 4. Lucia Gevert, Ambassador to West Germany; 5. Lilliana Mahn, National Tourism Director; 6. Nena Ossa, Director of Museo de Bellas Artes.

Others include: Luz Bulnes, Commission of Constitutional Reform; Mercedes Ezquerro, Council of State; Loreto Guerrero, Supervisor of External Information; Dr. Adelina Gutierrez, Academy of Science; Greta Mostny, Director of Museum of Natural History; Alicia Romo, Commission of Constitutional Reform.

## We are Americans doing well in Chile



PESQUERA GUANAYE S.A.



ASTILLEROS MARCO CHILENA S.A.

Av. Andres Bello 2113, Santiago, Chile  
Telex: 40327 MARCO CL  
Telephone: 238027



## The importance of a reliable source.

In financial matters, having the right information is the most important factor. This must come from a reliable source, such as the BANCO DEL TRABAJO.

BANCO DEL TRABAJO can supply complete information regarding commercial activities in Chile.

You can count on BANCO DEL TRABAJO, the reliable Bank.

**BANCO DEL TRABAJO**

El Banco confiable.



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BUSINESSMEN'S  
DIALOGUE  
WITH  
**Chile**

(continued from page 23C)

## FOREIGN TRADE

Chile's record exports of agricultural and forest products in 1977 provide a dramatic contrast with its 1973 figures. What are the reasons?

The opening to foreign trade involves the basic objective of detecting and exploiting the comparative advantages which some productive sectors enjoy, particularly primary sectors such as agriculture, forestry, and mining. This has led to a

large expansion of these sectors, a fact which would explain the remarkable increase in agricultural and forest exports.

Chile provides exceptional climate, soil, and irrigation capacity features to produce agricultural and forest commodities. In addition to this, the now prevailing high rate of exchange makes more profitable the sale of these products in the world market.

**What nontraditional Chilean exports are available (1978) in the United States market? Are manufactured export products able to compete in the U.S. market?**

Nontraditional exports are understood to include all products that may be marketed abroad, with the exception of crude copper, iron, nitrate, iodine, fishmeal, cellulose, and newsprint.

Chilean exports available this year in the United States market are many and varied. Among commodities exported during the first quarter of 1978, we find: fresh and frozen fish and shellfish, honey, garlic, onions, olives, chickpeas, beans, grapes, apples, pears, cherries, prunes, peaches, melons, flower and vegetable seeds, oregano, algae, quillay bark, tomato concentrates, wine, iodine, boracic acid, Chile nitrate, leather, factor lumber, dressed lumber, paper and cardboard, textile fiber fabrics, and wool.

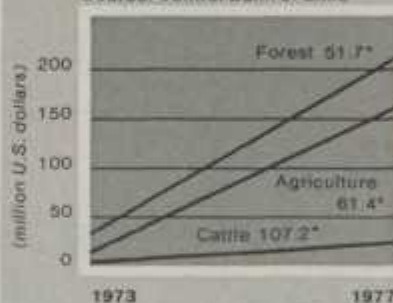
Products enjoying more advantages are those semimanufactured and manufactured goods under the United States General System of Preferences. These products are competitive in the market of this country.

Chilean products that are competitive in the United States include:

- Products which make intensive use of natural resources and employ considerable labor

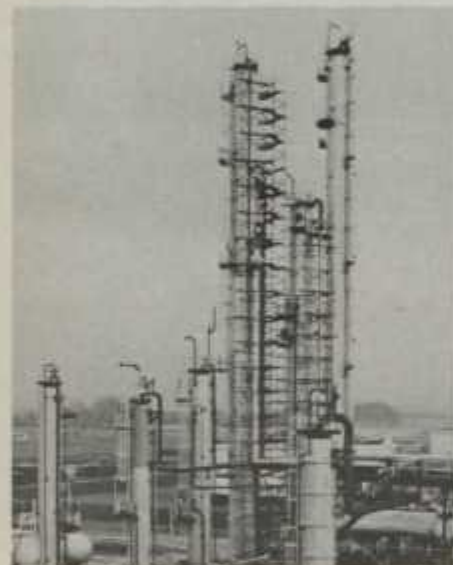


EXPORTS: AGRICULTURAL, FOREST AND CATTLE PRODUCTS\*\*  
Source: Central Bank of Chile



\* Annual Growth %, 1973-1977

\*\* Including primary and by-products.



Jack E. Carter  
Managing Director  
GOODYEAR DE  
CHILE S.A.I.C.

### A Country of Great Possibilities

The Goodyear International Corporation estimated the highly attractive potential of Chile as a new market for our products, and carefully evaluated Chile's economic and financial realities, before formalizing interest in acquiring the INSA factory installations from CORFO at the beginning of this year.

Completing the purchase, Goodyear de Chile launched programs of investment in equipment renovation and the introduction of new technology in its products in order to compete in the growing and open Chilean marketplace.

Economic stability, a result-oriented Government and the guarantees established in the Foreign Investment Statute are basic factors which attract and motivate new investments in Chile. Goodyear de Chile is proud to participate in this new step of national development.



Hernan Carvallo D.  
General Manager  
IBM DE CHILE S.A.C.

### Confidence in Chile

For the last 49 years, IBM Chile has proudly provided customers with high quality services.

In 1962, IBM Chile installed its first computer in the country. Since then, the local company has played an important role in applying Data Processing technology in a variety of ways, including increasing productivity and improving management effectiveness.

IBM Chile's confidence in the country's future and potential growth is based on the skills and dedication of Chilean men and women.



- Products which make use of simple technology and are manufactured in small production units.

By way of example, in the field of metal/mechanics, included are castings for specific spare parts; forgings of special steel axles and gate valves; and fire hydrants. In the field of forest products are furniture, strips and moldings, and lathe woodwork pieces.

#### What manufacturers use Chile as a base for exports? Why?

Because of the advantages provided by the country in connection with sale of products in the world market, many foreign industries have established themselves in Chile. In this way, they are able to make use of qualified labor, abundance of untapped resources, and existing man-

agement capacity.

In addition, low import taxes and high rates of exchange offer special conditions to investments directed to manufactured products for the world market. As an example, we can single out:

- In agriculture: seed-producing companies, such as Tracy Chile Ltda. and Peto-seed Co.
- In fishing: Taiyo Co.
- In metal-mechanics: Philips Chilena S.A.
- In agricultural industry: Chiprodal S.A.I.C.

#### What are the main advantages which Chile has to offer to exporting industries?

The advantages are:

1. A realistic exchange policy through an adequate and stable rate of exchange.
2. Tax incentives: exemption from

value-added tax on inputs used in export products.

3. Specific development laws in connection with certain activities.

4. Natural comparative advantages in some sectors:

- Agriculture: Displaced seasons in relation to the Northern Hemisphere.
- Forestry: Swift growth of insignis pine in comparison with other competitor countries, resulting in lower production costs.
- Fishing: Plentiful natural resources.
- Mining: Abundant natural resources.

5. Cheap labor, exhibiting an adequate level of occupational training for export activities.

6. Port tariff rebates in connection with export of nontraditional products.

7. Preferential access to credit in the case of certain export activities.

(continued)

### CHILEAN EXPORTS TO THE UNITED STATES BY MAJOR COMMODITY GROUPINGS: 1974-1977

(C. I. F. Values in Thousands of US\$)

Commodity Group	1974	% of Total Exports	1975	% of Total Exports	1976	% of Total Exports	1977	% of Total Exports
Copper (Unwrought and Products)	252,002	82.1	60,495	50.2	137,035	55.3	157,862	54.3
Fruit (Fresh and Products)	9,506	3.1	17,126	14.2	22,074	8.9	24,597	8.5
Minerals, Metal Ores and Products	13,725	4.5	3,478	2.9	20,447	8.3	24,078	8.3
Chemical Products	16,987	5.5	21,460	17.8	15,185	6.1	19,443	6.7
Seafood & Seafood Products	5,498	1.8	9,067	7.5	16,102	6.5	15,837	5.4
Vegetables (Fresh and Processed)	6,844	2.2	3,085	2.6	3,681	1.5	8,926	3.1
Other	2,521	0.8	5,889	4.8	33,176	13.4	39,957	13.7
<b>Total</b>	<b>307,083</b>	<b>100.0</b>	<b>120,600</b>	<b>100.0</b>	<b>247,700</b>	<b>100.0</b>	<b>290,700</b>	<b>100.0</b>

Source: FT 135 U.S. General Imports: Schedule A Commodity by Country, Annuals 1974-1977, U.S. Department of Commerce, Bureau of the Census.



**Renato Ferretti**  
Executive Vice-  
President  
**INDUSTRIAS  
FORESTALES S.A.**

#### Firm Believers in Chile's Economy

During the past four years we've experienced a dramatic shift in the foreign trade policy of our country, facing today a free commercial exchange with minimum protection and low tariffs. It is a firm decision of the Chilean Government to facilitate and encourage the private sector towards the expansion and exploitation of those natural resources where the country has comparative advantages. Consistent with such a policy, non-traditional exports have grown from US\$72,600,000 in 1973 to US\$612,600,000 in 1977.

INFORSA, an exporter within the forestry sector, has contributed importantly to this growth through the export of pine logs and lumber, not including newsprint which remains its principal product, and will contribute even more in the near future, once its current expansion projects go on stream.

We firmly believe that the Chilean economy will continue growing at an outstanding pace in the coming years. If you are seeking a place to invest, ask us! We will be glad to assist you.



**Julio Del Río B.**  
General Manager  
**INDUSTRIA DE  
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#### Prosperity due to Stability and Efficient Chilean Labor

The last three years have been the most prosperous in our 40-year history.

One reason is the stability of the rules which permitted us to plan realistically. Another reason is the atmosphere of order and confidence in Chile, allowing us to increase efficiency to a point that is comparable to the best of the foreign electronic industries. We are successfully competing with their imports without the need of high tariff protection. This fact has prepared us to also compete with them in the world market with several lines.

A related and important reason for these prosperous years, is the skill of Chilean labor which is the foundation of our success in the local market for consumer electronic products—resulting in products of higher quality and acceptance than the imports.



BUSINESSMEN'S  
DIALOGUE  
WITH

# Chile

## Foreign Trade (continued)

**Are there special incentives to establish assembly lines of manufactured products intended for export?**

The economic policy in effect provides equal conditions to all productive sectors. However, and considering the interest which the country has in promoting the development of its far-most regions, namely the First and Twelfth Regions, franchises have been extended to industries wanting to establish themselves in those regions.

This is supplemented by the existence of duty-free areas in Iquique, capital city of the First Region, and in Punta Arenas, capital city of the Twelfth Region. Franchises operating in these regions include:

- 50 percent exemption from first category income tax, effective through to 1983.
- 50 percent exemption from additional rate of income tax, effective through to 1984.
- 50 percent exemption from territorial tax, effective through to 1984.
- 35 percent bonus on engagement of labor, effective through to 1984.
- 10 percent bonus on new investments under US\$2 million, effective to 1984.

In addition, companies set up within the boundaries of the duty-free zones

are exempt from sales and services tax. Likewise, enterprises operating within the duty-free zone limits are fully exempt from the first category income tax and do not pay customs taxes on the product they bring in.

These are the special incentives extended to assembly lines of manufactured products intended for export that may be established in the indicated regions.

**What are some of the principal opportunities which Chile offers for exports?**

All sectors of national economy provide opportunities for exports. As examples:

1. In agriculture: It is possible to incorporate an additional 300,000 hectares to fruit-growing activities. The final destination of this fruit may be fresh or dehydrated product, canned, juice, extract, marmalade.

2. In forestry: The exploitation of insignis pine and native forests offer wide possibilities. Insofar as insignis pine is

concerned, it is possible to expand the rated capacity of cellulose and newprint plants, sawmills, and other facilities.

In connection with native forests, this field offers large yet unexploited areas.

Everything in connection with the lumber products industry is underexploited, namely, furniture, doors and windows, strips and moldings, all of which are items highly demanded in foreign markets.

3. In fishing: There is a great potential insofar as the utilization of krill is concerned, both for human consumption and in the form of by-products such as pigments. Another still unexploited item in this field is the short-tail hake for human consumption.

4. In mining: Large lithium, zinc, and lead deposits await exploitation. Another product that offers great possibilities is molybdenum, of which Chile is one of the main producers in the world. It is also possible to exploit mixed potash and magnesium salts and to produce ammonia nitrates with great comparative advantages.

**What possibility has Chile to become a net exporter of petroleum and gasoline?**

In 1978, Chile will produce 1.1 million and consume 5.2 million cubic meters of oil. In other words, it is self-sufficient only to the extent of 22 percent of its requirements. Therefore, its current possibility of becoming a net exporter of both these fuels in ten more years is remote.

As a result of this and with the support of foreign investors, the state is carrying out work directed to identify existing oil reserves in the country. However, research up to this time indicates the possibility of increasing the domestic supply of oil, but without allowing the country to become a net exporter of the product. ★



**Luis Prieto Vial**  
Chairman  
**LARRAIN-PRIO-  
RISOPATRON Y CIA.  
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### Investors Can't Ask for More . . .

The implementation of a market-oriented society, expedited with economic order and social tranquility, has enabled private enterprise to assume the role as leader of Chile's national development. In such a favorable environment our enterprises are especially active in the fields of:

- Planning and architecture
- Commercial and residential construction
- Import and operation of construction machinery and equipment
- Project engineering
- Underground waters
- Mining Projects
- Corporate financing

Equal treatment for the foreign visitor and the facility to repatriate his profits, makes it easy for him to take advantage of our country's favorable environment. The country has an outstanding middle-class (of professionals and technicians) and opportunities abound, but know-how and economic resources are limited. Either alone, or associated with Chilean businessmen, the foreign investor is welcome to participate in creating great enterprises.



**Fernando Bucchi**  
General Manager  
**MANUFACTURAS  
DE COBRE S.A. -  
MADECO**

### Productivity and Development Welcomed

If, when considering another country for investment, you evaluate said country's economy according to the activities of its private sector, Chile stands in the forefront. Chile's motivated private sector, national tranquility and search for prosperity have launched an economic development drive which is clearly demonstrated at all levels of the national economy.

To such fundamentals, we add Chile's homogeneous and capable human resources; raw materials in quantity and quality that provide competitive advantages; clearly defined rules and regulations applied without discrimination; and open foreign commerce with minimal duties and real exchange rates. The result is a national economy in which the truth is known, and where all people and enterprises can operate on a competitive level.

MADECO S.A. is a leading copper and aluminum manufacturer for a number of industries, including transportation, telephones, ducts, etc., and is the #1 Chilean company in non-traditional exports.



(continued from page 25C)

the elected president announced an anticipated "civil war in which 1,000,000 Chileans would die". Chilean mothers, wives and daughters resisted even more fiercely. Women were instrumental in persuading Chile's apolitical Armed Forces to assume power and thus avoid a bloody collapse of their homeland.

One petite grandmother in Santiago, a veteran of the 1971-1973 feminist confrontations with leftist roughnecks, recalled... "How foolish they were! Often they tried to discourage us on the streets or at the factories with insults of the grossest nature; the mildest being, "Here come the patriots again. They probably sleep each night wrapped up in a Chilean flag". They also blasphemed and soiled the cloth image of the Holy Virgin which we frequently pinned to our outwear. Doubly foolish! The Virgin is our Queen of Chile and the Patroness of our Armed Forces."

Each milestone in Chilean history portrays the figure of women. Today, as the recuperating nation returns to traditional principles, women play vital roles in shaping the new Chile and reweaving the national fabric. Nowhere in the Western Hemisphere, and perhaps nowhere in the free world (excluding Scandinavia), do women occupy such leadership positions in determining their nation's political and social policies, as do the women in Chile.★

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Information on Chile's foreign trade can also be obtained through our diplomatic missions abroad.



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## AS THE CHILEANS SEE IT...

In the preparation of this "Dialogue", more than 100 private bankers, businessmen and economists were interviewed in Chile. Here are some pertinent comments from the off-the-record interviews:

### On Chile's Image:

"Engrossed in extricating our country from the chaotic conditions which the socialists had left us, we directed all our resources to national recovery. The nation could not allocate its limited funds to communications' purposes. Consequently, we've been almost defenseless before the international campaign to discredit and damage Chile for standing up and ejecting the perpetrators of chaos."

"What strange bedfellows! The free press of the industrialized countries which depend upon private enterprise have cooperated with the controlled press of the socialist countries, in manufacturing an unreal image for one small, distant and democracy-oriented nation, which strongly advocates a free economic system after removing the latter's socialist system."

"Chile's poverty, during her difficult recuperation from the Marxist experiment, denied to the country the luxury of international public relations. Yet Chile trusts in the righteousness of her behavior and that it will be the fruit of her work that convinces misinformed critics overseas, that the accusations from Marxists merely reflect the failure of their impractical theories."

### On International Relations:

"The points of view on how Chile should govern itself, as sustained by certain sectors abroad, are different from those which the Chilean people have decided for themselves. The lack of information and knowledge about the Chilean reality, and the politicians'

subjective and theoretical interpretations thereof, clashes with actual reality, and this originates some tensions. Trusting in the strength of the truth and justice, Chileans feel that when the objective facts are known, the spots of tension will disappear."

"The Socialist World and its friends will never forgive Chile for demonstrating the fallacy of their theories, while Third World countries now resent Chile for demonstrating the efficacy and benefits of free enterprise."

"The Chilean solution is a solution to the problems of Chile. No one should attempt to impose on us alien or theoretical solutions to our way of life. The Marxists tried for 1000 days and failed miserably. Conversely, we nurse no intentions of imposing our ideas on any other country."

### On Chile's Marxist Experience:

"The publicized Marxist strategy known as 'The Democratic Road towards Socialism' first materialized in Chile. It is indeed unfortunate that the actual results of the 'Chilean Experiment' are the best kept secrets in today's world, particularly in the Latin countries of Western Europe. Unless one learns from history, including the 1970-1973 'Chilean Experiment' one must often suffer the repetition of history."

"The entire Republic of Chile was severely damaged. As the powerful enemies of your and our (Chilean) private enterprise economies continue to dismantle and remove similar economies from the shrinking Free World, it appears foolhardy for us to allow our mutual enemies to divide us. Should their orchestrated dichotomies be effective, they will continue to gain; we can only lose."

"Simply put, Chile's national fabric was almost destroyed. I must agree with those uninformed liberals who claim that 'it wasn't so bad', when in fact, it was rotten!"

## ACKNOWLEDGMENTS

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Correspondence addressed to private participants may be sent to the New York office of Sullivan Sarria at 299 Park Avenue, New York, N.Y. 10017 for immediate forwarding to the correct address in Chile. Forwarding envelopes marked "confidential" will be respected.

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Andrew H. Crozier  
General Manager  
McKEE CHILE LTDA.

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McKee is an international organization which provides diversified engineering and construction services. As such, we have operated in Chile for 12 years.

McKee maintains its Chilean operations because Chile is a country which has exceptional human and natural resources, complemented by a soundly managed economy and a clear potential for capital expansion. The present government is providing the financial safeguards required to stimulate the flow of private capital.

Our optimism concerning the long term outlook for Chile is based on first-hand observation of the evident encouragement for foreign investment, respect for international contracts and agreements, and the stable conditions which encourage greater participation by international investors.



Emilio López  
General Manager  
NCR DE CHILE S.A.

### On the Road to Sound Growth...

From early 1975 major efforts by Chile to restore and balance the economy have produced extremely positive results.

Diminishing inflation, realistic policies to stabilize the exchange rate, the opening of the national market to foreign competition via reduced tariffs, and other policies founded upon pragmatic economic logic, have created a favorable climate for private enterprise. The consequent stimulation of competition in the Chilean market has motivated and oriented the various productive sectors to expand with efficiency to meet the international challenge.

Chileans are now benefiting from these realistic measures, as evidenced by the increase in per capita income and by the availability of a wide range of both national and imported merchandise which Chileans had not enjoyed for many years.

Serving this market since 1938, NCR de Chile, is prospering in this favorable business climate and is contributing by installing accounting, administrative and control computational systems so that Chilean enterprises can operate with more efficiency, effectiveness and reduced costs, thus consolidating the progress of the country.





## Overviews of Chile



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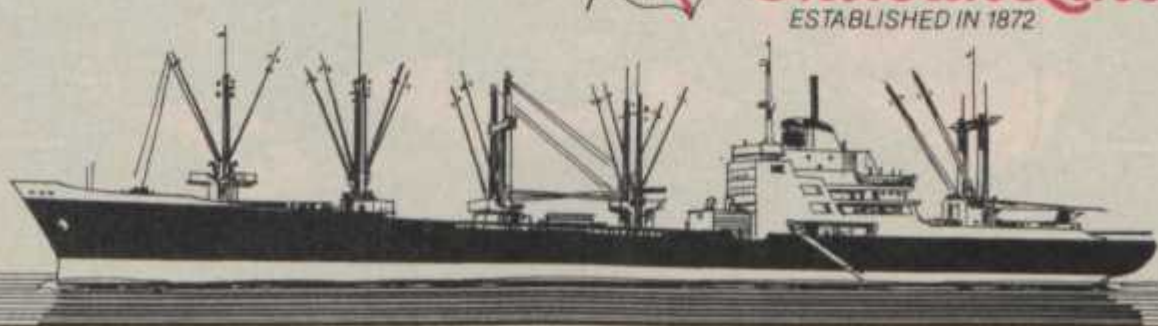
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## Viewpoint

# Easing the Regulatory Load for Small Business

By Barbara Hackman Franklin  
Commissioner, Consumer  
Product Safety Commission



There is a clear need for a central agency to gather and articulate the small business viewpoint to regulatory agencies, says Ms. Franklin.

Bills would provide  
advance comments  
and consultation  
to give firms  
a voice in the  
rule-making process

**T**HE SHEER VOLUME of governmental regulations—state, local, and federal—add up to a cumulative burden which is particularly difficult for small businesses.

One regulation alone may not be unreasonable in terms of increased costs or decreased productivity for a small company. But when that same company must also absorb the effects of regulation from several other federal agencies, plus state and local agencies, the total burden can be its undoing. If too many companies fail and thus reduce competition, product safety, quality, price, and variety may also be adversely affected.

As a practical matter, it is often very difficult for the Consumer Product Safety Commission, and for me as one of its decision-makers, to obtain the viewpoints of small businesses at each step of the regulatory process and to gauge the impact of regulatory and reporting requirements on them. It is especially difficult to obtain small business's views early enough in the regulatory process to make a difference.

Why should we be concerned about whether small business is unnecessarily burdened by regulation?

First, small companies have historically led the American economy in developing new products, technologies, and marketing techniques. During this century, they have consistently produced the new products and inventions that the country depends on for sustained economic growth.

Next, small business activity is an important factor in expanding job opportunities and increasing productivity. According to the Small Business Administration, small companies today are responsible for 55 percent of all private jobs in the United States.

### **Pioneering spirit**

Finally, small companies have traditionally been the heart of the economic system, providing opportunity and financial reward for those who are willing to pursue new ideas. This entrepreneurial spirit has contributed greatly to the country's past success and is vital to its future.

Two bills which I support are now



pending before Congress—the Small Business Impact Statement Act, H. R. 7739, and the Small Business Regulatory Relief Act, H. R. 10632.

Both would require regulatory agencies to estimate the impact of regulations on small business, provide opportunity for advance comments through the SBA Office of Advocacy, and consider alternatives to proposed rules. The bills require that the agencies submit proposed regulations to the advocacy office for comments and publish these with their proposed rules.

While there have been past attempts by small business people to consolidate comments on proposed regulations, there is a clear need for a central agency to gather and articulate the comments. The Office of Advocacy can be that central agency.

### Help from agencies

The main problem with the legislation is timing. To ensure that the advocacy office can function, I have proposed that each agency be asked to notify the office at the time a regulatory action is first considered rather than later in the process. To avoid unnecessary delays, I have proposed time limits for the office to do its job. These limits are not now part of the legislation.

But beyond the bills, still at the committee stage, there are other actions by regulatory agencies that would help small business. For example:

- Take a closer look at precisely when safety regulation makes sense, under what circumstances, and to what extent. Where regulation is needed, we should make it better, make it work, and make it stick. In those cases where regulation isn't required, we should say so and act accordingly.

- Ensure that adequate cost-benefit analysis is done prior to regulatory action with a particular concern for the impact on small business.

- Consider exemptions and other appropriate measures to reduce the regulatory burden on small companies.

- Identify small business groups and individual companies which could be affected by particular regulations, and solicit their views at the earliest stages in the process. One way to do this is to schedule more regional hearings.

- Invite representatives of small businesses to meet with the commission or with individual commissioners to discuss their concerns before regulatory decisions are made. About a year ago, I began doing this and found it extremely helpful.

- Conduct educational seminars around the country to inform business about regulations that will be issued. Through June, the Consumer Product Safety Commission has conducted approximately 50 such seminars, attended by about 3,600 representatives, mostly from small businesses.

The commission is working on these steps to get the voice of small business into the decision-making process. I believe other regulatory agencies should take the same steps.

Most of the agencies can do so without further legislation. However, new

laws may be needed if the agencies neglect the voice of small business. □

BARBARA HACKMAN FRANKLIN is the senior member of the U. S. Consumer Product Safety Commission. At 38, she is one of the youngest commissioners of a federal regulatory agency.

Ms. Franklin is a former vice president of First National City Bank of New York. A graduate of Pennsylvania State University, she was one of the first American women to receive a master's degree from the Harvard Business School.

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AS THE JOGGER came by, the old man sitting on the park bench beside Minneapolis's Lake Calhoun stared a moment and then asked: "What are you doing that for?"

The jogger just smiled and shrugged. He couldn't afford to spend the afternoon answering the question.

Literally, you can spend an afternoon explaining the rationale, appeal, and addictive qualities of jogging. And you will find plenty of people to question. The number of joggers in the United States is estimated at upwards of 15 million, in all shapes and sizes, including many business people.

Why do they run? Most say they do it for health, physical appearance, and psychological serenity. Business men and women say it helps them in their work by giving them a higher level of energy, enabling them to cope with stress better, and building their self-confidence.

And, in a cost-benefit analysis, you will find no better bargain than plain jogging. It requires just one necessity, good shoes. They cost from \$20 to \$40 or so, but even if you buy the top-of-the-line model, the cost is nominal compared to the price of a health club membership or a new set of golf clubs.

Another advantage of jogging is that just about everybody who is ambulatory is eligible. You don't have to worry about having coordination and skill or reserving a court. Anybody who can put one foot in front of the other can jog. Neither is there any competitive pressure: You jog for you, at whatever pace you set, and in whatever clothes are comfortable.

"I don't wear anything fancy, just regular shorts in the summer," says Charles Duffy, assistant administrator for

*Runners begin the annual 13-kilometer (8.08 miles) Bay to Breakers Marathon in San Francisco. The event is sponsored by local joggers for runners of any age.*



## Jogging Away From It All

By Jack Martin

physician. But, for anyone over 30, physicians recommend a medical examination.

Before James J. McNearney of Shakopee, Minn., began running last year, he got a physical and took a stress test. This involves an electrocardiographic reading of your heart's activity while you are walking on a treadmill or pedaling an exercise bicycle.

"I have approached it very conservatively," says Mr. McNearney, owner of Cavanaugh-McNearney Funeral Home in Shakopee, near Minneapolis. "I built up very gradually to three quarters of a mile, then a mile. Now I'm up to three and four miles, and I try to run four or five times a week."

Building up gradually allows the body to adapt more easily to the new demands. It also blunts the sometimes overwhelming urge to give up the whole idea.

Even running with restraint, the neophyte will feel some pain and wonder when all those great benefits everybody

finance at Marion General Hospital in Marion, Ind. "In winter I bundle up in a knit cap, windbreaker, and pants."

Mr. Duffy, 38, started jogging five years ago.

"I woke up one morning a little disgusted with myself," he told NATION'S BUSINESS. "I was out of shape, weighed about 180 pounds, and was smoking a pack of cigarettes a day. So I went out and jogged four blocks. I did that four times a week, gradually increasing my distance. Now I run about 25 miles a week and go out about five times a week."

What has jogging done for him?

"Well, I now weigh 160 and I am off cigarettes," says Mr. Duffy. "Jogging gives you a nice mental attitude; it increases your self-esteem. If you have a good physical appearance, you're just going to feel better about yourself."

Mr. Duffy, a gregarious former Marine captain, jumped into jogging without checking with his phy-



talks about are going to appear. But, hang in there, because the benefits are worth the pain. These medically documented benefits include:

- **Lower blood pressure.** Many people have seen their blood pressures decline by 10 to 20 points.

- **Stronger heartbeat and lower pulse.** Running improves the "stroke volume" of the heart, the amount of blood pumped with each beat. This makes the heart rate decline from, say, 80 beats a minute to 60 or even lower. A lower heartbeat simply means the heart muscle is stronger.

- **Weight reduction.** Jogging a mile burns up about 125 calories for a 150-pound person. But a decision to jog is almost invariably accompanied by a decision to modify eating habits, to lay off the layer cake. So, with a two-mile jogging schedule and a very small diet adjustment, a person can expend 350 calories a day or 10,500 a month. Since it takes 3,500 calories to use up a pound of fat, the jogger could drop three pounds in a month, which does not seem dramatic but is the recommended way to lose weight and keep it off.

- **Protection against heart at-**

PHOTO: NIK VAGEN



The nation's joggers are of both sexes and all ages; one notable early morning jogger is Sen. William Proxmire (D.-Wis.).

tacks. Although the scientific jury is still out, millions of Americans, including doctors and physiologists, are convinced that exercise extends life.

In a study of almost 17,000 male alumni of Harvard University, Dr. Ralph S. Paffenbarger, of Stanford University, found: "Heart attack rates declined with increasing activity. This trend held for all ages and for both nonfatal and fatal heart attacks." Those facing far less risk of heart attack, he reported, burned up at least 2,000 calories a week exercising.

Note: You can reach that figure with just 15 miles of jogging a week and a bit of walking. If you also play tennis or racketball or swim, you can cut down on the jogging.

But beware of relying on sports such as golf, bowling, softball, or even volleyball if you want to strengthen your heart muscle. They don't help, Dr. Paffenbarger says.

Even without good medical reasons for jogging, many, if not most, joggers say they would keep on running.

"It's a very relaxing thing," says

# \$2,975.

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59



Donald M. Roberts, senior vice president of Citibank, N. A., in New York City. He has been a jogger since 1971 and is a textbook hero for anyone who doubts his or her ability to jog.

"I was getting a little fat and decided that I was going to get a lot fatter, or I was going to do something about it," he said. "I live in Manhattan, so I went out one evening in Central Park and ran 100 yards or so, wearing sneakers. It took me at least three months to get to a mile."

**M**R. ROBERTS, who was 36 when he started jogging, ran his first marathon just two years after that Central Park outing. A marathon is 26 miles, 385 yards long. Last April, he ran the Boston Marathon in two hours, 56 minutes, and eight seconds, a very respectable time for a 42-year-old businessman.

He emphasizes that anyone going into jogging must not only start out gradually but also be patient. "It's a very relaxing thing. It drives your pulse and blood pressure down, and you'll lose weight. In business, I think jogging helps you stand up to stress a bit more easily."

"But you can't get all these wonderful things by going out four or five times; people must realize that it takes four or five months."

Every experienced jogger will recommend that you start out well-shod. Running shoes are designed to cushion the impact of jogging and support the arch and heel.

"The shoes make such a difference," says Jim McNearney. "I started in tennis shoes, going three quarters of a mile on pavement. Then my knees started to hurt. I got some running shoes and haven't had any problems since."

Here's another tip: "Stretch a lot before you run," advises Jane C. Killion, assistant treasurer at Bankers Trust Company in New York City.

"When you begin, walk and jog. Every two weeks make sure you increase your distance a little bit. When you can do a mile comfortably, increase it by half a mile."

I don't think you have to run a lot of miles to be healthy, but you have to run consistently. You should aim for three to five miles a day, four or five times a week."

But, she adds, "if on some days you

don't feel like jogging just walk. You will still be getting your exercise."

Four years ago, Ms. Killion stopped smoking and started jogging. "whatever I could do, a quarter or a half mile. But I went out pretty much every day. I probably took a month to work up to a mile. Now I do between 80 and 90 miles a week."

**S**HE ALSO RUNS the annual New York mini-marathon for women, 10,000 meters (6.2 miles), and her best time is 37 minutes, 34 seconds. She has run eight marathons, two at Boston, and has gone that distance in two hours, 47 minutes.

But don't let these success stories discourage you or inspire you to burn up the road in your first few outings. Most people instinctively try to push themselves too hard. But you can hold back, especially if you jog with a companion and talk. The "talk test" will show you if you are running within your capacity. You should always be able to talk normally, without gasping, when jogging.

The key to successful jogging is steady but modest progression, little triumphs that keep adding to the over-

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Experts recommend a stress test before joggers take up the sport.

all distance. Joseph F. McKinney, president of the Tyler Corp. in Dallas, says that these little triumphs can also help you to succeed in business.

"In addition to increasing your stamina and ability to take on tough physical tasks," he says, "there are the more important psychological benefits of fitness, particularly in regard to self-image. Each time you extend your distance just a little bit you are enjoying a success. Soon you face things with a permanent winning attitude."

Mr. McKinney tells the story of two businessmen who went broke. One wallowed in booze and self-pity and never climbed back up after his fall. The other, a jogger, had learned to enhance his self-image "with small triumphs in his conditioning program," says Mr. McKinney. The jogger made a comeback.

**A**N ENTHUSIAST who began jogging ten years ago, Mr. McKinney, 47, helped Dr. Kenneth H. Cooper—whose book, "Aerobics," made running popular in the 1960's—start his Aerobics Center in Dallas. Each year, Mr. McKinney sponsors the Tyler Cup run for business executives at the center.

Mary G. Roberts, a sales broker for

Jogging is great exercise. But done improperly, it can be discouraging and even hazardous. Here are 11 suggestions for jogging right:

1. Get a physical examination and an okay from your doctor if you are over 30 or have ever had a serious illness. It is also a good idea to take a stress test, especially if you are over 40 or have been sedentary for many years.

2. Read books on jogging such as William J. Bowerman's "Jogging," James F. Fixx's "The Complete Book of Running," Dr. Kenneth H. Cooper's "Aerobics," and Dr. George Sheehan's "Running and Being." These not only will give you a lot of good advice but also will get you more charged up to run.

3. Buy some good running shoes. Take your time and shop around. The shoes may seem expensive but they can spare you tremendous pain.

4. Start out with long brisk walks for a week or so, then mix in some short jogs. After a couple of weeks, jog a half mile—plot the distance on your car's odometer—and add a half mile every two weeks or so until you get up to three miles. Stay there for a while, then gradually work up to five. Keep to a three to five-mile program, going out at least three times a week. By this time you will know if you want to increase your distance and enter races.

5. Never run if you don't feel well. Walk instead. If you have a virus infection, do not run under any circumstances; infection can invade your heart, with serious, sometimes fatal, consequences.

6. Don't overdo it. Use the "talk

test," keeping a pace that allows you to talk comfortably to a real or imagined companion without gasping.

7. Stretch before and after jogging; it will help to prevent injury and muscle cramping. Here are two good stretches: Stand about three feet from a wall, put out your hands and lean forward slowly into the wall, keeping your feet flat on the floor. This stretches the calf muscles and hamstrings. Also, lean forward from the waist and reach toward the ground with legs straight, again slowly and without bouncing or straining. Do each three times.

8. Run on grass or dirt; it is easier on the feet and legs. If you have to run on the shoulder of a road, try to find a flat one. Many slant from the crown of the road, and running on them can cause leg pains. Always run facing traffic if you are on a road.

9. Drink plenty of fluids. You can handle a couple of glasses of water before a run. Afterwards, drink all you want, especially if the weather is hot.

10. Don't run in very hot and very humid weather. Either condition by itself is usually tolerable, but the combination is ideal for heat exhaustion. If you can stand it, you can run when it is 20 degrees below zero. The air will not freeze your lungs. If it is very cold and windy, wear a face mask or wrap a terrycloth towel over your face, bandit fashion.

11. Run consistently. If you don't feel like running, walk or jog slowly. It is not the speed but the consistent, rhythmic movement of the muscles and the extra demands on the heart and lungs that work the magic of conditioning the body.

Kidder, Peabody and Co., Inc., in New York City, says that jogging changed her career path.

Ms. Roberts had "a very good, very secure job" as a vice president at Chase Manhattan Bank when she began jogging four years ago. "I did it to stay in condition for skiing, then I found I liked it better than skiing," she says.

She also found that jogging "was one of the factors in my leaving Chase. Jogging definitely gives you confidence," she told NATION'S BUSINESS. "To me, the business world is still largely a male province. With jogging I became much more independent. I suddenly

had confidence that I could do better." And, she added, she has.

Jogging led Ms. Roberts not only to a new job but also to romance.

In 1977, she and Don Roberts were both featured in a magazine story about jogging. When their pictures—taken separately—appeared in the article, Don decided he wanted to know the lady in the picture.

"So I went by her office and we chatted about jogging," he says, "and one thing led to another. . . ."

"We started running together every morning," says Mary.

They were married last June. □



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# The Astronaut Who Flies Eastern

Frank Borman is piloting a once-stalled airline to new revenue heights

By Sterling G. Slappey

ON CHRISTMAS EVE, 1968, Col. Frank Borman was in orbit around the moon as commander of Apollo 8, the first manned lunar orbital mission. Today, when he has a rare few minutes of relaxation, he goes to an open field near Miami and watches model airplanes being flown.

"If I had more time, I guess I would build little models again as I did when I was a youngster," he says wistfully.

A man who loves any kind of flying, whether it's in a spacecraft, a military plane, or an airliner, Col. Borman writes away for copies of old magazines that tell about model planes. Out-of-print issues that cost 25 cents when they were published now sell for as much as \$7, and the prices pain him.

Frank Borman is known as a tight man with a dollar. He is especially tight with Eastern Air Lines dollars. Col. Borman is chairman, chief executive officer, and president of the famous airline that once was commanded by the legendary Capt. Eddie Rickenbacker.

Under Col. Borman, Eastern has been transformed from a losing operation to a profitable one that looks stronger and stronger. Eastern had horrendous losses in 1973 and 1975, wrapped around a modest 1974 profit, but soared back in 1976 to earn \$45.2 million. Last year—on rising revenues—it earned \$34.7 million. This year, despite the ravages of a bad winter, it appears on the way to better earnings.

One method Frank Borman has used

to accomplish the transformation has been to recharge everyone's batteries in the interest of success for Eastern. The 1976 earnings, for example, were helped by a wage freeze which he persuaded employees to accept. The freeze ended last year, but employees—both union and nonunion, including management—accepted a five-year variable earnings program in which part of their pay is keyed to a minimum level of profitability for the company.

## No more bikinis

All in all, Eastern is now a smoother operation than it once was. The company's advertising, for example, formerly concentrated on busty girls in bikinis on Florida beaches. These days, Eastern ads are more often aimed at the bread-and-butter travelers—business people. Col. Borman frequently is the model in the ads, telling the Eastern story, from baggage handling and aircraft maintenance to inflight service.

Frank Borman, who has no middle name, is 50 and looks 40. His face has few wrinkles, his smile is broad, and when he gets tired—which is often, because of the pace he keeps—he hardly shows it. He leaves home by 6:30 a.m. and is seldom back before 6:30 p.m.

He travels between his town house in the Coral Gables area and Eastern's headquarters at Miami's International Airport in a ten-year-old Chevrolet Camaro convertible which his father found for him at a second-hand car lot in Phoenix, Ariz. From the way Col. Borman talks about the Camaro and

nurses it, the car apparently has a place in his affections rivaling that of the Apollo 8 spaceship.

Col. Borman sets an exacting pace. During one 48-hour period after last winter's blizzards, he visited community leaders and Eastern employees in Boston, Providence, Hartford, New York, Newark, Woodbridge, Allentown, and Philadelphia, thanking his people for a job well done during the crippling weather.

He is helped by an ability to talk as if he were writing—few words wasted, sentences complete, statistics straight. Also, as one of his staff puts it, "the colonel decides fast. You get answers before you finish questions. He makes a lot of decisions in elevators."

Another executive says: "Frank doesn't walk. He bolts."

Even when Col. Borman and his wife, Susan, go hiking on rare vacations in such places as the Grand Teton in Wyoming, he hikes fast.

## Always a mover

Frank Borman has been bolting since he learned to get about on two feet. He was born in Gary, Ind., and when he was small, he moved to Tucson, Ariz., where he grew up. While in school, he had a newspaper carrier route. Later, as a junior-grade janitor, he helped to keep a department store tidy. With the money he earned he would often appease his great appetite for hot Mexican food, and he would pay for flying lessons.

He went off to West Point and took a





Col. Borman is constantly on the prowl, checking everything from the condition of Eastern's planes to the food served. With him is employee Dalton James.

bachelor of science degree in 1950. He added a master's in aeronautical engineering in 1957 at California Institute of Technology. Years later, he went back to school for more formal education, completing the Harvard Business School's advanced management program in 1970.

Col. Borman served as a U.S. Air Force fighter pilot in the Philippines, gave flight instruction, and was a West Point professor. He was also an Air Force test pilot and special project administrator. In 1962, he joined the National Aeronautics and Space Administration as an astronaut. He served as commander of the Gemini 7 mission in 1965 as well as of the Apollo 8 flight three years later. Between those two missions, he was project manager for redesigning the Apollo spacecraft and headed the investigation of the fire that took three astronauts' lives.

#### Rapid rise to the top

In 1969, he became an adviser to Eastern and was named a vice president of the company in 1970. By the end of 1975, he was president and chief executive officer; the title of chairman was added in December, 1976.

His career with Eastern had only recently begun when Neil Armstrong became the first man to set foot on the moon, an assignment which might easily have gone to Col. Borman.

"Do you envy Neil Armstrong and his place in the history books?" he is asked.

"I don't envy Neil at all," he says. "I applaud him. I never had a personal drive to be first on the moon. I looked at the program as an attempt to put an American on the moon, and I think I made a contribution."

#### Accepting the risks

"Were you ever afraid during your lunar orbit mission?" he is asked.

"I don't think fear is a fair word to describe my feelings," he answers. "We had our anxious moments during the mission. Probably the most anxious was at the time of the rocket burn to get us started back to earth. The reentry was exciting."

"Before you involve yourself in these programs, you make the decision that what you are doing is worthwhile. Then you accept the risks."

"So sure, there were moments of anxiety and concern. But I was never really frightened."

Col. Borman has accomplished much at Eastern with this philosophy:

"I prefer to operate more as the orchestra conductor than to play the instruments myself. I like to coordinate the efforts of a few aggressive, hard-charging people. I underscore the word few."

His philosophy goes down well with most people who know him. One of



Col. Borman drops in on one of his maintenance foremen, Carlos Chaves, to discuss Eastern's jetliner fleet.

them is Steve Hrytzay, president of the Miami local of the International Association of Machinists and Aeronautics Workers union, with which Eastern's management deals. Mr. Hrytzay says of the colonel:

"I respect the man. I just wish he were on our side. He's a very nice person. I wouldn't mind having him for a friend."

Col. Borman hit it off with a far tougher fellow, the late Gen. Charles de Gaulle, during a world tour as a U.S. goodwill ambassador. The strong-willed Gen. de Gaulle, then president of France, asked Col. Borman in French: "Three of you were on that flight around the moon, and you were gone a long time. How did you keep order?"

Col. Borman answered in English:





One of the keys to Col. Borman's success is getting more people to fly Eastern; here he checks reservations with his staff, from left, controller Billie Goethe, manager Vince Mackle, and Durand Fisher, director, airline operations.



All the world watched as Col. Borman commanded Apollo 8's dramatic orbit of the moon on Christmas Eve, 1968.

"Yes, there were three men on the flight, but only one boss."

President de Gaulle turned to his interpreter and said in English: "Don't bother to translate that. I understand perfectly."

Frank Borman has been an innovator not only in personnel management but also in many other facets of Eastern's operations. For example, he wanted to offer stockholders, who have not received a dividend since 1969, a travel voucher good for up to 50 percent of the price of a ticket on Eastern. The plan was unique in this country, but the Civil Aeronautics Board turned it down.

As another example, Eastern is flying a fleet which includes a European-built jet airliner, the Airbus Industrie A300, a most unusual situation for a U.S. airline.

Col. Borman discusses his management of Eastern and other facets of his career in the following interview with a NATION'S BUSINESS editor.

#### When and where did you learn to fly?

In 1943, in Tucson. That was my hometown. My instructor was a lady, which I think is interesting. Nowadays, everyone seems to think that women's involvement in aviation is new. Not so.

My first flight was in a Taylorcraft. Since then, I've flown about 60 different types of plane. To be honest with

you, I don't have time to fly often now—except as a passenger, that is. Every once in a while, I fly some light plane that is owned by a friend. As for Eastern planes, I ferried them on occasion, a few years back.

**You were an Air Force colonel when you commanded that first moon flight. You surely didn't get high mileage pay for that trip.**

That's the truth. Some of our Eastern pilots figured out once what I would have been paid on the moon flight if I had been on Air Line Pilots Association rates. I've forgotten how much it was, but I could have bought myself a big island and lived on it with the money from the flight.

**With Eastern in money trouble, what were your first thoughts on becoming head man?**

I eased into the chairmanship. I joined Eastern as a consultant, then I got a vice presidency, then a senior vice presidency, then the presidency, then the chairmanship. I had been so involved with the problems that there were no sudden or distinctive changes in my thinking. I had been addressing the problems for a long time.

**You took a few turns around the moon in 1968. Have you turned Eastern around?**

We are heading in the right direc-

tion. The renewal of faith by Eastern's people helped do the trick. Eastern was pretty flat for a while.

**You moved Eastern's headquarters from Manhattan to Miami several years ago. Why?**

Eastern had a split operation—marketing and finance in New York, operations and maintenance in Miami. That was intolerable. I firmly believe that people who have responsibility for corporate decisions should be near the scene of the action. We need to get it all together.

My decision was really never a difficult one. Move. Consolidate in Miami.

**How were you able to talk employees into a wage freeze and then into tying wages to profitability? And is the wage profitability program working?**

We persuaded Eastern employees—there are 34,000—that these steps were in their own interest. They became convinced that freezing wages for a time and tying future wages to profitability were necessary if they were to be assured of long-term job security.

Is the variable wage program working? Yes, a resounding yes. As you know, 3.5 percent of salaries of participating employees—both union and nonunion—are withheld under the program, and the employees get all or part of the money back, depending on



how close we come to earning two percent, after taxes, on sales. If we earn more than two percent, there are bonuses for all employees.

Last year, with the program in effect only six months, we were able to pay out to the employees 53 percent of the variable earnings money held back. This year, we hope to show enough profit to pay out all the variable earnings.

Incidentally, we have been asked for details on our variable wage program by several British companies as well as a couple of American companies.

**You trimmed 26 vice presidents off the payroll in a retrenchment move. Have you ever wondered if you were on the right track?**

The right track? That's a railroad expression, you know. To answer your question, no. I never had doubts that making cuts was absolutely necessary. We were fortunate, and things worked out well. We faced a situation that demanded extreme measures.

If the patient requires surgery, you have no choice but to start cutting.

**You prevailed on your executives to**

**act as baggage handlers on holidays. What did you have to promise them?**

I didn't have to talk them into doing that work. They came out voluntarily during heavy traffic periods to help out the regular baggage crews. Most of the people enjoyed doing it. I've handled baggage myself. I've also offered myself for a few Eastern ads in magazines, in the papers, and on TV. Free talent for Eastern, of course.

**How many Eastern jobs could you fill right now?**

I could fill any flying job after a run-through training program. I think I understand most other jobs at Eastern, although I might have some difficulty with computer programming. I had a fair share of that in the Apollo program, but I'm not up to date on the latest techniques.

**Could you get behind the counter and prepare a ticket for a flight from, say, Miami to California?**

If I used that ticket, I might not reach my intended destination.

**Is it true that you are the hardest worker at Eastern?**

I'm not sure of that at all. We have a lot of people who are hustling. They are dedicated, and I'm proud of them. Last winter, during bad weather, many employees spent 30 and 40 hours on the job without going home. Some of our people brought their families to airports to help passengers who were snowbound.

**You neither smoke nor drink, nor allow Eastern people to drink at lunchtime?**

I have no problem with people drinking, provided it does not interfere with work. I used to drink. But liquor and airplanes are incompatible. I'm not asking too much for employees to restrict drinking to off-duty hours.

Unfortunately, we have had to take disciplinary action in some cases. But our people understand the importance of this.

Incidentally, the rule applies to everyone, including office people. I agree fully with President Carter that the big martini lunch is bad all around.

**Why did Eastern choose the A300?**

We ran a customer survey, and the A300 came out the preferred plane. Operationally, the plane has proven to be excellent. We now operate the plane from New York to Florida, also into Atlanta and Raleigh-Durham.

We hope to fly the A300 into Washington National Airport and use it on our New York-Washington-Boston shuttles. It is the quietest and most fuel-efficient airplane now flying.

**Any qualms about flying foreign equipment?**

No. Basically, I feel strongly that one of the most destructive things we could do in this country is to become so provincial that we swerve from the path of unrestricted trade.

Anyway, I wouldn't say the plane is very foreign. About 40 percent of it is American-made, including the engines, which are General Electric's. From a dollar standpoint, the U.S. part of the A300 program is greater than any other country's. About 80 percent of the reusable parts are made in this country.

**Does Eastern make money on the New York-Washington-Boston shuttles?**

Yes.

**Do you look for more shuttles by Eastern or other airlines?**

I do not. The shuttle is constrained

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by the size of markets. Shuttles require very, very dense markets. They are high-cost operations. We have 16 planes that we do not get high utilization from. Some of these planes must always be out there waiting as backups so that we can provide the convenience of a guaranteed seat for every passenger.

### What's it like competing head-to-head with a money-maker such as Delta Air Lines?

Delta is a good competitor, obviously. From the standpoint of profitability, it is the best in the industry. Delta has a fine aura about it. But Eastern is making inroads. Our people no longer have an inferiority complex. We have found that we can compete in any market and with any airline.

### Do you favor deregulation of airlines?

As quasi-utilities essentially in business to provide a public service, we have to expect some restrictions. However, I favor reform of the present regulations.

We should have greater control over our ticket prices, meaning the basic freedom to price our product within a given limit.

I am unalterably opposed to free market entry because as quasi-utilities we could be destroyed. The competitive nature of the industry could be destroyed.

Free market entry would leave us open to skimming. Small outfits with two or three planes could fly heavily used routes in the winter, then go elsewhere to fly heavily used routes in the summer.

Under present regulations, the regular airlines take care of these routes the year around. We serve them in season and off-season, regardless of whether they are heavily traveled or not.

Of course, the money we earn on the revenue-producing routes helps make up for whatever we might lose on the low-revenue routes.

### Does having to compete with government-owned foreign airlines leave you behind the eight ball?

Eastern does not have as much of that as Pan Am or TWA. I would say, yes, they are at a disadvantage. So are we, to the extent that we serve foreign routes also served by government-owned foreign lines.

### Should Amtrak be subsidized by Uncle Sam?

I think it is a disgrace to subsidize long-haul passenger service.

Are you aware that the government could buy an airline ticket for every Amtrak passenger traveling between Chicago and Miami—simply give them free rides on an airline—and that this would cost less than the money the government pours into subsidizing Amtrak between Chicago and Miami?

The last time I checked, the government was subsidizing at the rate of \$199 per Amtrak passenger between the two cities.

On the other hand, it is quite clear that commuter and short-haul rail passenger service between large population centers makes sense. I am sure that the Metroliners between Washington and New York have an important role.

Keep in mind, the Metroliners compete with Eastern's shuttle.

### Is there any work you would rather do than run Eastern?

No. I'm enjoying what I'm doing. The challenges are tremendous, and they cover many facets of social, political, and business life. I'm very happy.

### How do you relax?

My wife, Susan, and I enjoy each other's company. We scout around for antique furniture, we garden together a bit, and we like to go West, where we both grew up, to hike and just lie around on vacations.

We have two sons, both lieutenants in the Army. Frederick, who is 26, is an assistant football coach at West Point, and Edwin, who is 25, is at Ft. Benning, Ga.

Both graduated from West Point. Edwin is married, but there are no grandchildren.

### Any good reading lately?

Yes. Robert J. Donovan's book on Harry Truman, "Conflict and Crisis." I think it is outstanding. President Truman obviously had great qualities.

You learn an awful lot by reading biographies of great men.

### Will a biography of you be published someday?

We'll have to wait and see. Probably not.



To order reprints of this article, see page 94.

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# COLUMBIA

## The Gem of South Carolina

By W. D. Workman, Jr.

**L**ONG before Congress created the District of Columbia and engaged the noted French engineer, Pierre L'Enfant, to design the nation's capital, another planned city called Columbia was taking shape in South Carolina. In 1786, the general assembly decided to move the state's seat of government from the historic port city of Charleston to a central site.

Exercising a foresight still appreciated almost two centuries later, the legislators directed Columbia's builders "to lay off a tract of land of two miles square, near Friday's Ferry, on the Congaree River, including the plain of the hill whereon Thomas and James Taylor, Esquires, now reside, into lots of half an acre each, and the streets shall be of such dimensions, not less than 60 feet wide, as they shall think convenient and necessary, with two principal streets, running through the centre of the town at right angles, of 150 feet wide...."

### Ravaged by flames

By 1790, when Congress initially established the District of Columbia, South Carolina's legislature was convening in Columbia.

There is another parallel between Columbia and the District of Columbia: Both capitals were ravaged by flames after being overrun by invading armies. Washington's ordeal by fire came in 1814 from the British; Colum-

bia's came in 1865 during a brief visitation by the Union forces under Gen. William Tecumseh Sherman. After what might be called an early federal urban renewal program, Columbia rose from the ashes and began a pattern of growth that is best described as progress by design.

Much of that progress can be attributed to favorable climatic, physical, and political features. Columbia's location in the center of the state makes it a natural marketing center, easily reached from the mountains or the sea. The central location also affords Columbians convenient vacation spots along the Atlantic coast or within the Blue Ridge mountains.

"We can be at the beach in two hours with no crowds," says Mrs. Ruth MacLean, who, with her doctor husband, came to Columbia from Canada five years ago. Dr. Lloyd MacLean, a urologist at Lexington County Hospital, used to have to drive more than 100 miles to go hunting. Now he travels only a few miles into the mountains to pursue one of his favorite pastimes.

As the seat of state government, Columbia has a stable tax income, direct and indirect. This is not an unmixed blessing, however, because property owned by the state produces none of the ad valorem taxes needed to sustain city and county services.

A similar mix of gain and loss characterizes the considerable acreage oc-

cupied by colleges and universities within the Columbia area. The venerable University of South Carolina, chartered in 1801, accounts for 222 acres of untaxed land immediately adjacent to the capitol complex. But, on the positive side, the university's enrollment of 23,500 students at the Columbia campus, coupled with a faculty of 1,350, constitutes a continuing and predictable economic asset.

Besides the economic benefits, USC contributes meaningfully to the intellectual, social, cultural, and recreational life of Columbians, as do other institutions of higher learning in the area, including Columbia College, the Lutheran Theological Southern Seminary, Columbia Bible College, Allen University, and Benedict College.

"It's exciting living in a university town," says Rhonnie Newton, who moved to Columbia when her husband, Will, became general agent for Connecticut Mutual Life Insurance Co.

"The university attracts people skilled in many areas. We really enjoy being in an academic community where things are happening, and new ideas are swirling."

### Training for today

Another category of higher education is the state's technical education. Conceived in 1961, the system was designed to provide workers with the technical training demanded by modern industry. Today, 16 Technical Education Centers—some identified as TEC colleges—operate throughout the state. Altogether, they have trained about 700,000 South Carolinians—male and female, young and old, black and white—for jobs in fields ranging from air conditioning to nuclear engineering.

Midlands Technical College has one





*Built as a bank in 1868, this French Renaissance structure located on Columbia's Main Street was bought by Sylvan Brothers, jewelers, in 1905. It is listed in the National Register of Historic Places.*

*This handsome house, built in 1823, was designed by Robert Mills, of Washington Monument fame. The Historic Columbia Foundation raised \$700,000 to restore the Classic Revival house in the 1980's.*



*Lake Murray, a 50-acre reservoir, has a 520-mile shoreline and is within 30 minutes' driving time of downtown Columbia. More and more South Carolinians are becoming year-round residents.*



*A rejuvenated Main Street includes flower beds, trees, and a clear view of the historic State House. The mall atmosphere caters to pedestrians; buses and other through traffic are diverted away.*



campus in Columbia, another near the Metropolitan Airport in Lexington County, and a third opening this winter in Harbison on the northwestern fringe of metropolitan Columbia. A fourth campus is projected for 22 acres near the intersection of U.S. 21 and Interstate 77 northeast of Columbia.

One notable feature of the TEC program is the tailoring of special training courses for particular industries. While a new plant is being constructed, its work force is being trained—through state and corporate cooperation—in the technologies required to operate the plant. More than 480 industrial establishments have benefited from this special feature.

### Explosive growth

Through its Economic Development Commission, Columbia has shared substantially in South Carolina's industrial development. The annual industrial product for the Columbia Standard Metropolitan Statistical Area increased from \$170.5 million in 1960 to \$1.16 billion in 1976. The Columbia SMSA, with a population of 384,500, includes Richland County, of which Columbia is the county seat, and Lexing-

ton County, just west of Richland across the Congaree River.

A significant aspect of this increase is the growth of industries other than textile plants which have long dominated the South Carolina scene. Today, textiles make up about eight percent of the Columbia area's total industrial product, compared to 29 percent only 18 years ago.

A brief roll call of some of the larger industries in the two counties discloses some familiar names: Anchor Continental, Inc., Hewitt-Robins, Hobart Manufacturing, Rockwell International Corp., Stone Manufacturing Co., Inc., Square D Co., and Westinghouse are in Richland County.

Allied Chemical Corp., Burlington Industries, Inc., Mepco/Electra, Inc. (a subsidiary of North American Philips Corp.), Canron, Ltd., Colite Industries, Inc., Horsman Dolls, Inc., Monroe Calculator, and NCR Communications Division are in Lexington County.

Nassau Recycle Corp., a Western Electric affiliate and recent addition to that list, moved its corporate headquarters as well as plant to the Columbia area. So did Artex Hobby Products, Inc., and Wheel Trueing Tool Co.

Says John Delaney, plant manager of Hobart Manufacturing: "Having been located in a number of other places about the country, I have found that people in the Columbia area take a personal pride in their work."

"Our employees relate very much to our plant and are genuinely interested in its being a success. As a result, they have a great attitude, which results in excellent productivity. This attitude and pride are very common in the area and contribute to the success of most companies that have located here."

Simultaneous with this industrial movement has been a series of continuing economic studies to determine how Columbia and the metropolitan area might improve municipal services, involve the total community in progressive development, and avoid the urban blight and fiscal crises which have plagued many American cities.

### Surveys of progress

Columbians periodically survey their assets and liabilities, weigh progress against potential, and attempt to reconcile past planning with contemporary conditions. In 1905, for example, landscape architects from Boston were brought in to assess how much Columbia was deviating from its original pattern and to devise a plan for land use and urban development compatible with a "new kind of tomorrow."

Similar surveys have been conducted repeatedly ever since, especially in the past two decades. The sponsoring organizations have changed, but almost always the groups have involved both public and private sectors in the two-county area.

In 1959, the Columbia-Richland County Industrial Development Commission engaged an economic research firm to assess the development potential of the Columbia area. Two years later, the Columbia City Planning Commission produced its own comprehensive report, "In Step With Tomorrow."

### Transportation needs

The year 1965 brought forth another survey, the "Citizens' Design for Progress," which involved hundreds of Columbia's business, professional, civic, and government leaders. Within six months, yet another report, this one called "The Economy of Metropolitan Columbia," was in circulation.

A study of the area's transportation needs was made in 1966; by then the spectacular growth of the two-county



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The State Farmers Market, located near Columbia's fairgrounds, is one of the ten largest in the nation. Sales last year exceeded \$50 million. During the peak season—May, June, and July—the market handled up to a thousand loads of produce in a single day.



The State House (above) was under construction when the city was captured by Union soldiers under Gen. Sherman in 1865. The drawing at right shows troops of the 13th Iowa Regiment raising the Stars and Stripes atop the building. The state capitol, which was begun in 1851, was finally completed in 1907.



region had spawned traffic and parking problems. The Columbia Area Transportation Study sought not only to cope with the burgeoning development but also to anticipate future growth patterns.

Another specialized study was made in 1969, this one on the continued viability of the downtown area in the face of proliferating and attractive shopping centers and malls around the perimeter of Columbia. Local architects, engineers, and planners were involved in the study, which became known as the Doxiadis report. Recommendations ranged from the obvious to the imaginative, from short-range to long-term, and from the generally acceptable to the highly problematical.

The most spectacular consequence of the Doxiadis report has been the re-vamping of Main Street, a costly project which converted a conventional main drag into an artistic thoroughfare replete with flowers, trees, floodlights, and a mall atmosphere which caters to both pedestrian and vehicular traffic, although buses and other through traffic have been diverted away from Main Street.

Other goals include the concentration of city, county, and federal government offices in a complex at the other end of Main Street from the capitol complex.

More distant goals are the development of the large tract between the





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central business district and the Congaree waterfront, the channeling of railroad and vehicular traffic into corridors, and the provision of middle and upper-income housing in the downtown area.

There is increasing interest in converting the upper floors of stores on Main Street and nearby into apartments for those people who want to live downtown. Along with this interest is a continuing project to refurbish the facades of the Main Street stores. The Capital City Development Foundation provided much help toward these goals in directing the Main Street renovation. But, in recent months, the foundation has gone out of business.

J. Willis Cantey, the banker who headed the organization during its restructuring of Main Street, feels that its own mission has been accomplished. He wants the foundation leadership and staff to turn to other projects suggested in the Doxiadis and similar reports.

## Symptom and stimulus

The spectacular increase in air traffic at Metropolitan Airport, which is served by Delta, Eastern, Southern, and Piedmont airlines is a symptom and a stimulus of the area's growth.

The annual passenger flow in and out of the airport has increased by more than 100,000 since 1975 and now exceeds 800,000 a year. The tonnage of mail and cargo has also increased.

In the course of its growth since the end of World War II, Columbia has gained intermittent national recognition. In 1951, Columbia was designated an All-American City in the competition sponsored by the National Municipal League. In 1964, there was a repeat performance. Broadcast executive Charles A. Batson, then president of the Greater Columbia Chamber of Commerce, praised the city for again winning national laurels. But he reminded his fellow citizens that there remained another Columbia, which needed constant attention to stave off urban blight, raise per capita income, increase civic facilities, and meet the challenge of a burgeoning metropolitan area.

"Let's enjoy to the fullest this wonderful All-American recognition," he said. "Then let's get back to work."

Back to work it was, with the goal of convincing the nation that Columbia was, in the words of then Mayor Lester L. Bates, "the South at its best." During the next decade, the Columbia area



became one of the leaders of the emerging Sunbelt. Just last May, Columbia was listed eighth among the top ten U. S. cities with the most favorable growth prospects.

One Columbian deeply involved with the city's achievements and challenges is John T. Campbell, who served two terms as mayor (1970-78) after two four-year terms on the city council. A pharmacist and drugstore proprietor, Mr. Campbell is proud not only of Columbia's dramatic growth but also of the city's ability to hold the line on taxes.

#### Low tax increases

"During the eight years that I was mayor," he says, "we had only two small increases—nothing like the rate of inflation. We have had less tax increase in Columbia than any city in the Southeast."

"I received some criticism for using federal revenue sharing money to help operate the city, but, after all, those federal funds were designed to help local people, and I don't know of any better way to help them than to keep taxes down. We made a lot of capital improvements, too, but we tried to keep the costs of government to a minimum."

The former mayor sees one major obstacle to further development of the central city. An essential element of the Doxiadis report is conversion of the acreage fronting on the Congaree River into a residential area, with recreational facilities. Such a conversion close to downtown Columbia would help to rejuvenate the central city.

The big roadblock is the location in the riverfront area of the grim and gray state prison known as CCI (Central Correctional Institution).

"Once we get CCI out of that location," says Mr. Campbell, "we'll see the entire area west of Main Street blossom into a tremendous development. Those 28 acres occupied by CCI are holding up the whole thing. It all depends on what the state does."

#### Lobbying in Washington

Columbia's present mayor, Kirkman Finlay, Jr., has some ideas of his own on that subject. He sees the need for closer coordination with state and federal governments.

"We need someone to lobby systematically for our best interests, and I intend to do that—not just with our state legislators but with those who represent us in Washington."

Mayor Finlay will need that kind of

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help with the long-range goal of re-channeling the railroad tracks which penetrate the city. The costs involved in such a massive undertaking will require much more money than can reasonably be expected from the city and from the railroads, which have no financial incentive to invest the large sums needed.

Mayor Finlay shows even greater enthusiasm, however, for the development of 1,000 under-utilized acres between the main business district and the Congaree riverfront. He believes that this area has great potential for residential and commercial use. Development would include a green belt of parkland extending from the river almost to Main Street.

The mayor is convinced that Columbia can continue to gain population, productivity, and reputation without

sacrificing the city's historic assets. He sees a positive developmental opportunity in restoring and revitalizing the many historical residences and other structures in the central city area. Already, a number of former residences have been converted into legal, medical, or business offices, thus preserving the traditional appearance of the structures while providing needed work space.

### Preserving history

Much credit for this rehabilitation rather than demolition goes to the Historic Columbia Foundation, an organization supported by 1,000 individuals, corporations, and civic and professional groups. The foundation raised \$700,000 in the early 1960's to restore the handsome Classic Revival house designed in 1823 by Robert Mills, an

architect and engineer who also designed the Washington Monument and the Old Treasury Building in the nation's capital.

Today, the Mills house is visited annually by 15,000 to 20,000 people, many of whom also see the Tuscan villa-style residence nearby where President Woodrow Wilson lived as a boy.

Columbia's cultural appetite has long been satisfied—and whetted—by the Columbia Museum of Art. Its exhibits, lectures, and classes have been matched in another cultural realm by the Columbia Music Festival Association's presentation of ballet, lyric opera, and symphonic music.

Ultimately, Columbia hopes to have its own center for the performing arts. Current expectations hinge on the admittedly ambitious prospect of establishing such a center in the area

## RACIAL PEACE AND PROSPERITY



Milton Kimpson, executive director of the Greater Columbia Community Relations Council, says: "Now we are acting rather than reacting."

During the racially troubled 1960's, Columbia was spared most of the headaches and heartbreaks which beset many other southern cities. This was not simply a matter of good fortune; rather, it resulted from the good will and good judgment of the city's political, business, and civic leaders.

When the lunch counter sit-ins and other public demonstrations began in Columbia, the mayor, using his personal influence rather than executive authority, set up two 25-member committees—one representing the black community, the other the white

community. These two groups, meeting separately at first, sought to anticipate confrontations and defuse them by identifying the sources of racial friction. Then they worked toward solutions through voluntary action.

Tensions were eased by the removal of racial barriers at theaters, dime stores, and similar establishments. These first steps were encouraging, but the real problem was the difficulty that blacks faced in rising above the low-level employment to which, by tradition, they had been consigned.

To overcome that historical barrier,

the Department of Labor funded a pilot project known as the Greater Columbia Guidance Center. Starting in April, 1965, this center provided training, guidance, and counseling—of white employers as well as black job applicants.

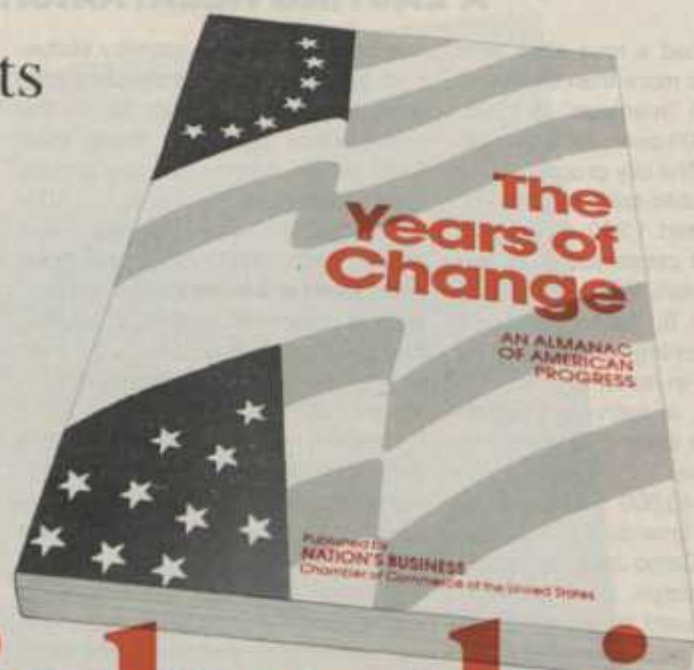
So encouraging were the results of this program that, when the federal funding ended in 1968, the City of Columbia, Richland County, and the Greater Columbia Chamber of Commerce banded together in support of a successor agency, the Greater Columbia Community Relations Council. The council broadened its scope beyond the betterment of race relations through job training and placement and developed programs for housing, education, and community affairs.

Today, after eight years as executive director of the council, Milton Kimpson can cite facts and figures that show considerable gains in minority employment and in other areas. The council's All-American City Employment Plan not only worked in Columbia but also drew emulation across the nation.

Mr. Kimpson is convinced that the council's programs are acceptable to blacks and whites alike—an acceptance that augurs well for racial peace and progress in the future. As he puts it: "Now we are acting rather than reacting."



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## A LASTING RELATIONSHIP

Columbia has had a love affair with Fort Jackson for more than 60 years, culminating with "marriage" in 1968, when the 52,600-acre military post became part of the city proper.

In 1916, a public-spirited group of citizens purchased 1,200 acres east of the city and presented it to the federal government. With World War I looming, the U.S. Army converted the site into a training camp known as Camp Jackson, in honor of Gen. Andrew Jackson, a native of South Carolina and the seventh President of the United States.

As many as 45,000 soldiers were trained at one time during the war, but afterwards, Camp Jackson lapsed into caretaker status, serving chiefly as a National Guard summer training site. The post was rejuvenated as Fort Jackson at the outset of World War II. Again thousands of soldiers were trained over its rolling sandhills.

Post-war, the cycle of inactivation threatened to repeat itself, but the outbreak of Korean hostilities res-

cued the fort from its standby status.

In 1964, a major construction program began at the post; so far the construction has cost more than \$180 million. Among the new permanent buildings at the fort is the 400-bed Moncrief Army Hospital. Altogether, about \$800 million will have been spent when the long-range program is completed, unless, of course, Fort Jackson falls victim to the military retrenchment sentiments which occasionally seize Washington.

Located near Fort Jackson is the Veterans Administration hospital complex on the eastern edge of Columbia. Next January, a 400-bed medical and surgical facility costing \$32 million will open.

It is the first phase of a federal reconstruction and modernization program that also includes a \$3.5 million nursing home and a psychiatric unit. When the program is completed, the VA structures will be rehabilitated and turned over to the University of South Carolina Medical School.

All through its history, Fort Jackson has continued its cordial, two-way relationship with the Columbia area. One indication of that cordiality is the presence in and around Columbia of about 25,000 retired military personnel and their dependents. Many of these officers and enlisted persons served for a time at Fort Jackson, and then decided to spend their retirement in the communities nearby.

More measurable is the impact on Columbia of Fort Jackson's active-duty personnel.

During fiscal 1977, for example, more than \$186 million in pay and allowances was disbursed to 20,500 men and women in uniform and to 3,800 civilian employees. Additionally, \$22 million was spent on supplies, equipment, and services, mostly from the Columbia area.

As in any partnership, Columbia and Fort Jackson have had their good times and bad. But, all in all, the fort and the city have made a satisfying and prosperous match.



Already off the drawing board are parts of the master plan for Columbia as laid out in the Doxiadis report. Looking at a model are Mayor Kirkman Finlay, Jr., (center) and business leaders Douglas Guthrie (left) and Robert L. Gandy, Jr., (right).

scheduled for development along the Congaree riverfront.

The undeveloped potential of that riverfront is one of the major concerns of the new president of the Greater Columbia Chamber of Commerce, Robert L. Gandy, Jr., president of the Richtex Corp., wants the chamber to play a major role in bringing about such development.

### Consolidation considered

As another major objective, Mr. Gandy wants to develop greater coordination, perhaps leading to consolidation, of the municipalities in the greater Columbia area. That possibility has long been discussed—and cussed—by city and county political leaders, but prospects are much improved today. Columbia City Council and Richland County Council are conferring about specifics such as providing fire protection, sewer and water lines, and other services to the urban areas outside the city limits.

Whatever the obstacles and the opportunities, the business, civic, and governmental leadership of the two-county community is determined that the Columbia area will continue its progress by design. □



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# ENERGY:

## Searching for Substitutes

By Grover Heiman

Nation's Business  
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REPORT**



Coal, the nation's most abundant fossil fuel, is one of the most promising sources of synthetic oil and gas. This pilot plant in Chicago uses the Hygas process developed by the Institute of Gas Technology to produce synthetic gas.

**A**T THE Bonn summit meeting in July, President Carter promised to cut U. S. oil consumption by 2.5 million barrels a day by 1985 and to raise domestic oil prices to world prices by 1980.

Despite the promises, the President was forced to attend the meeting without a National Energy Plan in his back pocket. And there is no assurance that he will have a coherent one early next year when his administration again attempts to cajole and corral the Congress into enacting the necessary legislation.

The theme of that effort will be new supplies to augment dwindling domestic sources of oil and gas.

The new NEP, an extension of the first which has been stalled for more than a year on Capitol Hill, will focus on developing synthetic oil and gas from oil shale and coal and on accelerating development of other energy sources such as solar, wind, nuclear, and geothermal.

The President solemnly discussed his plan on April 18, 1977, in a televised fireside chat setting, complete with sweater, to rally the public around the concept that fighting the energy problem was the "moral equivalent of war."

For acronym-prone Washington this was quickly translated to MEOW and was subsequently compared to Presi-

dent Ford's WIN campaign—Whip Inflation Now. But MEOW has produced some significant progress in conserving energy as a result of voluntary and price-induced efforts. The rate of annual increase in energy consumption in 1977 was 2.3 percent, about half that of previous years, while the Gross National Product rose 4.9 percent. In the past, the two figures paralleled each other. Industry and the residential consumer paced the effort, says the Department of Energy.

### Aiming for self-sufficiency

The first NEP prescribed pricing and fiscal restraints to stimulate conservation and fuel substitutions, such as converting boilers in industries and utilities from oil and gas to coal.

The new initiatives will aim toward increasing the domestic supply of energy to make the nation more self-sufficient in the next decade. The Department of Energy, acknowledging that exhortations and artificial barriers won't continue to dampen demand, has undertaken a national energy supply study to select the technology that will be developed to convert oil shale, coal, biomass, and other types of energy into synthetic oil and gas.

The department announced the new proposals in May, but they didn't attract wide attention. Essentially, DOE wants to reprogram \$130 million of the fiscal 1979 budget of \$14 billion. The most significant parts of the package are a tax incentive to stimulate oil shale production and imported-oil entitlements for oil shale and other synthetic liquids.

A matter of increasing concern, however, is continuing national apathy, which recently was reinforced by some studies that concluded there won't be a petroleum shortage until the 1990's. Compounding the problem is the current oil glut in the world. Because of these factors, consumers have little inclination to start concentrating on conservation.

To a nation locked into using the auto-





Vast amounts of oil are locked in oil shale and tar sands. This giant digging machine (above) is operated by Gulf Canada to mine the Athabasca tar sands in northern Alberta.



Thousands of heliostats—mirrors that track the sun and focus heat on a steam boiler—may provide power in the future. The Boeing Co. units above are at Boardman, Ore.

The U. S. has significant geothermal resources. Union Oil Co. of California taps The Geysers (below) in northern California.



Nuclear power plants, like this one (above) being built at San Onofre, Calif., by Combustion Engineering, Inc., are expected to supply about ten percent of total energy needs by 1995.



Offshore drilling is the most promising prospect for new oil discoveries. Ashland Oil, Inc., owns this rig (above) in the United Kingdom's Thistle Field in the North Sea.





mobile for transportation and all kinds of machinery to do almost everything, the nonexistence of a fuel shortage is reassuring. But Energy Secretary James R. Schlesinger and an imposing number of energy industry experts warn of future shortages and urge the nation to acquire insurance against those shortages and the ever-present threat of another embargo by the oil-producing Arab states.

### Remarkable improvement

"Our government and most of our nation's media have failed to communicate the hard realities," says Barry J. Galt, executive vice president of The Williams Companies. "I regret to say that failure would appear to be an act of commission rather than of omission."

Recent polls show that about half of all Americans don't believe there is an energy crisis. The news that oil imports dropped 12.8 percent in the first six months of 1978 only fuels such impressions. At that rate, says the American Petroleum Institute, the nation's dependence on imported oil will drop from 48.5 percent in 1977 to 41.2 percent this year.

The remarkable improvement is due to conservation efforts and increased domestic production, primarily from Alaska.

Unfortunately, this improvement is only momentary. There is a general consensus on the fact of future shortages. Opinions vary widely on how to solve the shortfall in domestic production, but oil and gas representatives are adamant on their solution—unshackle industry and allow the free market system to operate.

"It seems that we as a nation are becoming intimidated by our problems," says Allen E. Murray, president of Mobil Oil Corp.'s U.S. marketing and refining division. "We want to legislate and regulate our way out of all our dilemmas. If this is a disease—as I believe—then it is reaching epidemic proportions."

### No shortage of studies

While there may or may not be a future shortage of oil and gas, there is right now no shortage of studies. Major oil and other energy companies, financial institutions, trade associations, and a number of government agencies industriously produce studies based on varying economic scenarios. Even the Central Intelligence Agency has a study.

Not content, Congress created an Energy Information Administration as part of DOE to make annual analyses and predictions.

Describing the most optimistic scenario, the agency's first report says that oil

and natural gas production can be sustained at current levels until 1990, coal production will rise from 0.65 billion tons to 1.15 billion tons by 1990, and production from other domestic sources—nuclear, geothermal, hydroelectric—will grow rapidly, accounting for 20 percent of total domestic energy by 1990, compared to less than nine percent in 1975.

Oil imports are predicted to increase from the 8.7 million barrels per day in 1977 to a range of 9.1 to 12.5 million barrels daily in 1985 and to 9.8 to 16.1 million in 1990.

Industry studies tend to agree that shortages are coming.

LeRoy Culbertson, senior vice president for planning and budgeting at Phillips Petroleum Co., says: "Today and for the next few years a surplus of liquid petroleum will exist. The 1980's will be a transition period in which intermittent shortages will almost certainly occur,

and major shortages may occur. Finally, in the 1990's these shortages will become permanent. The petroleum resource base will have reached its limit. Supply will no longer be able to keep up with demand."

### Predictions for 1990

The Exxon Corp. compiles one of the most authoritative assessments of national and world energy demand and resources. The latest Exxon domestic survey predicts oil will still be the major source of energy by 1990, accounting for 43 percent of the total, down from 47 percent. Natural gas, now providing 27 percent, will be down to 17 percent. Coal's share will climb from today's 18 percent to 27 percent, and nuclear power will increase from three to ten percent. All other forms of energy will make up the remaining three percent.

But the worrisome news is that 51



A more common sight in American ports in the future will be mammoth liquid natural gas tankers bringing imported gas to augment domestic production.

## THE AGE OF OIL

America's Oil Age started in 1859 in Titusville, Pa., with the first producing oil well. Until less than a decade ago, production increased annually. Now, the nation must contemplate the wane of the Oil Age and the dawn of another energy age.

The nation's energy industry today is a Goliath—more than \$215 billion in annual sales and two million direct jobs in oil, natural gas, natural gas liquids, coal production, refining, distribution, marketing, and electric utilities.

Oil and gas were produced in 31

states in 1977 from 499,110 wells of which 365,733 were strippers—those yielding less than ten barrels a day.

Oil is the nation's most important fuel. In 1977, the nation produced 2,987 million barrels but consumed 6,716 million barrels. Imports came primarily from Saudi Arabia, Iran, Africa, and South America.

Transportation consumed 55 percent of the oil; industrial users, 18 percent; residential and commercial structures, 17 percent; electric power generation and utilities, nine percent; and all others, one percent.



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# When you lead all oil companies in patents, you have to be discovering a lot more than oil.



A unique anti-icing jet fuel additive developed by Phillips Petroleum in the mid 1950's for the U.S. Air Force is now sold commercially, allowing today's business jets to fly at altitudes where temperatures often drop to  $-70^{\circ}$  Fahrenheit.

Phillips developed the oil furnace process for making carbon black. The unique substance that allows automobile tires to resist abrasive wear and increases tread life by thousands of miles.



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A special surgical mesh, patented by Phillips, is used by surgeons to help close large-sized incisions following abdominal surgery. This remarkable material interlaces with the patients' own body tissue, giving it added strength as it heals. As a result, patients are less likely to face a return to surgery because of the failure of an incision to close properly.



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**The Performance Company**







percent of the petroleum the nation consumes will be imported.

It is not so much that we are running out of oil, Dr. Schlesinger told the Economic Club of Detroit last winter. The problem is a world with a voracious energy appetite that will soon outstrip the world's capacity to produce enough to meet demands.

"In order to maintain our world reserves," he said, "we would have to discover a new North Slope every six months, a new North Sea every year and a half, a new Kuwait every three years, or even a new Saudi Arabia every seven or eight years. That is not going to happen."

### Encouraging estimates

Recent discoveries, however, are encouraging. The Electric Power Research Institute says that the discovery of new oil reserves in Mexico puts that country in the same category as oil-rich Kuwait. New estimates of U.S. natural gas reserves and the latest discovery of natural gas off New Jersey are also encouraging. But, as energy industry experts keep emphasizing, the industry must be deregulated to meet the ever-growing U.S. energy needs.

A strong voice in urging Congress and

the administration to allow the free market system to stimulate gas production is the Chamber of Commerce of the United States. The National Chamber's position was presented to Congress last year by President Richard L. Leshner:

"We simply do not believe the answer to our energy dilemma lies in more taxation and more regulation," he said. "Moreover, since governmental controls and regulations contributed to getting us into the energy crisis in the first place, it is folly to think they will get us out of the crisis."

"The imposition of price controls and new taxes is contrary to basic market prices which have been—and will continue to be—the most effective and most efficient means of correcting supply-demand imbalances."

Jerry McAfee, chairman of Gulf Oil Corp., says: "What the United States must do in its own best interests is to return to a near-marketplace energy economy in which, for the most part, economics determines fuel choice, supply development, and the emergence of new and improved technologies."

Unshackling the energy industry from the quagmire of regulation and establishing a favorable investment climate are at the core of the problem. The in-

dustry is frustrated by the inability of the administration and many in Congress to understand the economic facts of life. Their shortsighted efforts to protect the consumer from rising prices now are laying the foundation for much higher prices eventually, the industry warns.

### Closer look at costs

Asks Mr. Galt of Williams: "Why should a domestic producer be forced to sell at \$5.30 per barrel of oil while we pay OPEC more than \$14? And why should a Gulf Coast producer receive \$1.45 per thousand cubic feet of gas when you are already paying \$2.35 for gas imported across the Canadian border, and when we are negotiating for Mexican production at \$2.80, plus not insignificant transportation costs?"

Dr. Thomas A. Vanderslice, senior vice president of General Electric Co., says: "Everyone understands plain old arithmetic, particularly as it applies to their pocketbooks, their jobs, and inflation. If we had had more arithmetic and less rhetoric in regard to our energy situation in the past few years, we might be further down the road toward a solution today."

While the methods chosen by the President to achieve his energy goals are open to debate, says Carl E. Bagge, president of the National Coal Association, "there is no questioning the need for alternatives to oil and gas."

Coal companies call their product the nation's ace in the hole, and if reserves are considered, they make a good point. Currently, gas and oil comprise about seven percent of the nation's energy reserves and provide about three fourths of our energy needs. Coal provides about 18 percent of the need but represents more than 80 percent of the fossil fuel reserves.

### Threats to development

Yet using coal involves monumental problems, from both environmentalists and the United Mine Workers. The miners' strike this past winter raised serious doubts about the reliability of a coal supply. Along with the more militant oil-producing nations, the coal miners became a potential threat to the nation's continued economic development.

Although Congress has set no remarkable records in enacting energy legislation, it has pretty much given the administration the funds it requested for the Department of Energy.

DOE's request for fiscal 1979 totals \$14 billion, of which \$1.4 billion is to come from revenues, primarily for enriching uranium to be used by domestic

## SYNTHETIC FUELS—THE PROMISING ALTERNATIVES

In 1977, the nation's imported oil bill was \$45 billion. Synthetic fuels such as oil shale could help to lower this bill.

Two new initiatives have been proposed to accelerate oil shale development. First, a tax credit on the first 10,000 barrels per day of production by plants in operation prior to 1987. This tax will continue for 20 years or the life of the plant, whichever is shorter.

Second, a change in regulations to give oil shale an entitlement equal to imported crude oil's.

The Department of Energy concludes that this combination will reduce the effective cost of production by \$7 to \$8 per barrel. Estimating that five large-scale plants will be constructed by 1990, producing a total of 250,000 barrels a day, DOE predicts reduced federal revenues of \$1 billion through the year 2000. But the nation will have some insurance against oil embargoes and higher prices.

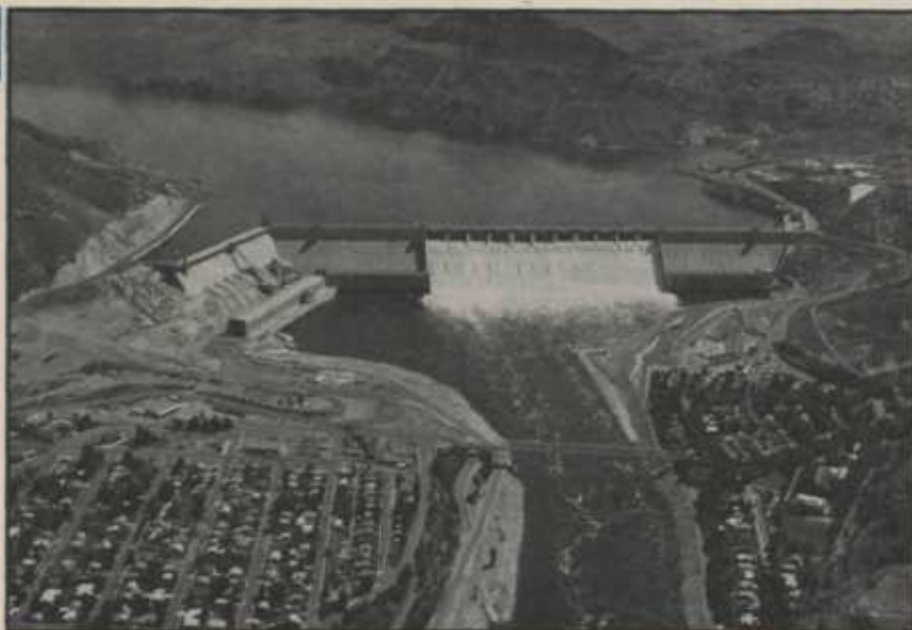
Other initiatives include design studies for construction of one or two plants for the production of oil from coal, accelerated drilling in geopressurized brine deposits for production of unconventional natural gas, and accelerated construction of commercial-scale coal gasification plants through regulatory changes and loan guarantees.

There is also a plethora of efforts to explore the development of wind machines, gas and oil from biomass, small hydroelectric plants, and solar energy.

When, if ever, will synthetic fuels become competitive with petroleum?

LeRoy Culbertson, a vice president of Phillips Petroleum Co., says: "Based on today's costs, the world price of oil would have to reach \$18 a barrel to make oil shale production economically feasible. And for economic coal gasification and liquefaction the price would have to reach \$22 to \$24 a barrel."





While the nation has tremendous hydroelectric power complexes such as the Grand Coulee Dam in Washington, there are limits to further development.

## CONGRESS IS ENERGETICALLY DEADLOCKED

Congress has not been wildly successful in legislating the nation out of the energy dilemma, neither approving the administration's original energy package nor fashioning its own.

The key to the entire energy package announced by the President in April, 1977, was a tax on old domestic oil, currently controlled at well below world prices. This old oil price would be raised in three steps to match the world price. Also, the President proposed a gradual increase in natural gas prices and later a tax on industrial use of oil and gas to stimulate conversion to coal.

The House rather swiftly approved most of the President's proposals, but the Senate moved more deliberately, and the conference committees trying to resolve the differences in the bills have been deadlocked.

Perhaps former energy czar Frank Zarb comes uncomfortably close with his observation that Congress's long debate over energy legislation has actually subtracted from the sum total of human knowledge on the subject.

But Congress cannot be totally faulted, considering the original controversial actions favored by the administration to achieve these goals by 1985:

- Reduce the annual growth of

U. S. energy demand to less than two percent. Last year it was 2.3 percent.

- Reduce oil imports from an estimated 16 million barrels a day to six million barrels.

- Achieve a ten percent reduction in gasoline consumption.

- Increase coal production by 400 million tons to 1.1 billion tons a year.

- Use solar energy in more than 2.5 million homes.

- Require insulation in all new construction.

- Bring 90 percent of existing American homes up to minimum energy efficiency standards.

- Create a strategic petroleum reserve of one billion barrels, the equivalent of a 180-day emergency supply.

Dr. H. H. Woodson, president of the Power Engineering Society, gives this blunt assessment: "It is now abundantly clear that the United States is adopting an energy program which has not the slightest hope of approaching its goals."

He finds that every objective analysis indicates the administration's national energy plan will fail to meet consumption, production, and balance-of-payment targets established for 1985.

"Beyond 1985 the picture is even bleaker," he says.

nuclear power plants and foreign customers.

Nearly half of that budget, however, goes for forms of insurance—\$4.2 billion for the Strategic Petroleum Reserve Program, and \$2.8 billion for national defense support. About 33 million barrels of crude are now stockpiled by DOE in three Gulf Coast underground reservoirs. The 1985 goal, at a cost of \$20 billion, is a one billion barrel reserve for national emergencies.

DOE wants to spend some of the remaining \$7 billion as follows: \$2.7 billion for research and development of new sources of energy or new technologies; \$1.9 billion for producing enriched uranium, delivering energy from federal installations such as hydroelectric dams, and operating the Naval Petroleum Reserves; \$1 billion for energy conservation programs; and \$170 million for regulation and information activities.

Clearly, the administration considers synthetic oil and gas production the key to the future. DOE calculates that the transportation needs of the nation in 1985 will require ten million barrels of petroleum daily, of which 2.5 million could conceivably come from synthetic sources. Such development would require billion-dollar efforts, however.

### Too much too quickly

There is a growing realization that not only is there no single solution, but also the reordering of priorities in recent decades has exacerbated the situation. John F. O'Leary, deputy secretary of DOE, says the basic problem is that the nation has set out to do more than it can handle.

"Our priorities have become too generalized in terms of cleaning up the environment. We're trying to play catchup, entering an era in which these goals will come into direct conflict with growth," he recently told a group of natural gas executives in Washington, D. C.

While it is desirable to have 100 percent crystal-clear streams and dawn-of-time pure air, the cost may be just too prohibitive.

The alternative to our energy-intensive society is a drastic change in the American life-style. There is little likelihood this will happen voluntarily. Yet, oil and gas are finite, and so the search will become more intense for substitutes. The energy industry can look forward to busy decades and, if provided with incentives, will seek out new energy supplies to keep America going.



To order reprints of this article, see page 94.



# Talent Scout for the Executive Suite

By Harry David

*Harry David is president of H. D. Associates, a one-person headhunting firm in Washington, D. C. In this article, he talks about the business of finding the brightest and the best to fill key slots in companies, trade associations, and unions.*

**F**OR THE EXECUTIVE talent scout, almost every day begins with a ringing telephone.

The familiar voice of a client says: "We need a man or woman to be our resident lobbyist on the Island of Guam. Let's discuss this at lunch."

A little later, the phone rings again. Another client—this time, the general manager of a major trade union—says: "Please get me a vice president of communications."

Requests such as these are taken in stride by today's talent scout, or headhunter, as he is informally called.

Headhunters like me are in business to help companies, trade associations, and unions find unusual and exceptional people to fill important positions. Headhunting, however, is not always the art of stalking the individual. Most of the time, it is simply unearthing the brightest and the best.

And what keeps the headhunter awake at night is not the problem of coming up with a presentable candidate. If he can't do that, he shouldn't be in the business. The real challenge is finding the right mix of background, talents, personality, and business goals that will match an employer's needs.

The reason for the existence of the species headhunter is a major headache which the more sophisticated chief executive officer is glad to turn over to the specialist: The problem of finding competent, productive, goal-oriented people to fill key positions. It is as simple and as complicated as that.

In good times or bad, the headhunter must always think in terms of highly qualified people, the best people. In bad times, these people are rarely between engagements. And in good times, not at all. This makes the headhunter's job even harder. He has to lure people away from a good job with the offer of a better job.

But the headhunter is not in the business of helping individuals. He is a company man, employed by the company, assigned tasks by the company, and paid by the company. Individuals are simply the pool of raw material from which the headhunter draws suitable candidates.

The current job status of a person has next to nothing to do with my appraisal of his potential to be a candidate for any of my clients. I look for quality—and for qualities. Unemployment is unimportant, unless the candidate was booted out of his job for a serious reason reflecting on him, and not because some boss was on a budget-slicing spree.

In fact, the man or woman out of work may be the ideal candidate if a client is in a hurry to fill a key slot. A candidate who is employed will usually want to give his employer ample time to find a replacement. That may take a while, so sometimes, the unemployed person of quality will get the job.

For example, I was trying to find a state lobbyist for one of my best clients, whose need was urgent. My two top candidates were both in the middle of long-term projects. Neither felt that







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he could just drop what he was doing immediately, even for a better job.

Just then, I met a man who, because of a budget cut in his organization, found himself between engagements. He had the right quality and qualities, and he was excited about what had to be done on the new job. It became his to do.

Headhunting is not such a hit-or-miss pursuit as that example may indicate. Professional headhunters are analytical, deliberate, and imaginative. More importantly, they have good contacts everywhere.

Even the most active and peripatetic headhunter cannot be in two places at once, cannot meet as many people as he would like, and does not know what makes a first-rate professional in every single field.

### The basic principles

Each headhunter has his own approach in dealing with his clients and providing for their organizational needs. But most of them follow certain basic principles such as:

**Contact cultivation.** Contacts are maintained in every part of the country, in every industry, profession, association, union, and political organization, including local political circles, statehouses, and both sides of Congress.

The headhunter cultivates his contacts like a gardener. He feeds them, waters them, and keeps in touch with them, particularly when he needs no favor. And when he does need a name, a suggestion, or even a mere hint, they produce gloriously.

For example, I was searching for an assistant to the chief executive of a professional society and learned that neither of the two people I had in mind was willing to make the move then.

Next day, a contact stopped by my office. Noticing that I seemed preoccupied, he asked me what was on my mind. Although I thought it unlikely that he would know the type of person I was looking for, I told him about my dead end.

To my surprise, he said: "I think I know just the right candidate for you." And he did. The man he suggested was perfect for the job. It taught me once again that you never know who knows whom.

**Sleuthing.** No matter how helpful his contacts may be, the headhunter must also be his own detective. As he meets people at parties, lunches, or anywhere, he listens to them without telling them his line of work.

They may talk about themselves, their friends, their boss. If, in the course of the conversation, someone is mentioned who sounds to the headhunter like a person of quality, he makes sure that he knows how to reach that person.

**Cold calling.** Sometimes a contact or a friend will say: "Call X if you like, but don't mention my name." That request must be honored, but the headhunter must also make sure that he finds out enough about X so that he can talk to him intelligently.

For example, I was searching for a pension administrator for a large national organization when an acquaintance in the pension field told me of a possible candidate but added: "Don't mention my name." I called the individual, introduced myself, and immediately said: "I hear that you are very good at your work, particularly in the area of . . ." Before he had recovered from his surprise, he had agreed to a meeting.

Within a month, he joined my client's staff. Several years later, on the strength of his excellent performance, he was hired away by a large labor organization. He and I have become good friends, but he is still trying to get me to tell him who brought us together.

**Scouting.** This is a two-pronged activity. First, the headhunter will try to become acquainted with individuals who know who and where top people are and what their special capabilities and potentials may be. The headhunter will also be looking for top people on his own.

### Contacts for the future

Second, the headhunter will build a pool of future possibilities. For example, a contact will tell me about a man or woman whom he knows well and admires personally and professionally.

"He is not ready to make a move," the contact may say, "but the day will come. Let me get the two of you together." So the potential candidate and the headhunter meet, talk to each other, and establish rapport.

But the most glittering quality pool is useless if the right fish do not bite during the season. If a headhunter has to find a treasurer and has the right person in his quality pool, then ideally, all he has to do is to call him in, have a brief discussion about the offer, and introduce him to the client; everybody lives happily ever after. It happens—rarely.

The candidate may be the perfect



# MURDER



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In 1977, according to the National Highway Traffic Safety Administration, an estimated 46,700 persons died as the result of highway accidents.

The Insurance Information Institute reports that about 87 percent of all traffic mishaps involve improper driving. Excessive speed is a factor in some 32 percent of all fatal accidents. Worse, about half of all automobile fatalities can be traced to the deadly combination of drinking and driving.

Highway accidents are the sixth leading cause of death for persons of all ages—and the chief killer of those under 25. The overall annual cost of all this carnage is staggering: more than \$40 billion—a sum which ultimately comes from the pockets of the insurance buying public.

Everyone—insurance companies, legislators, drivers and the public at large—has a stake in the campaign for strict enforcement of traffic laws. The alternative is unthinkable.



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answer to Client Y's needs. But the day before the candidate is contacted, he receives a substantial bonus from his current employer, a raise to end all raises, or an offer from General Motors or Unilever to become its president. That is the more likely scenario, and the headhunter is left to cast his lines again in a search that may take weeks.

### Firsthand impressions

Once the search is successful, the headhunter must augment his knowledge of the two or three first-line candidates through personal meetings. The headhunter knows a great deal about each candidate, but secondhand insight is not good enough. Nor do facts and figures a human being make.

The personal meeting has to be more than simply an interview; it must be a comprehensive exchange between me and the candidate. I try to create an informal atmosphere. This is not a device, it suits my style. And it serves the purpose, which is to get to know the way the candidate's mind works, what intellectual qualities he has that would help him to extend the horizons of the job under discussion, how he would approach the position, and

whether he is willing and able to make a significant contribution to the client's goals.

Before the meeting starts, most candidates are uneasy. My favorite shock treatment for this unease is to say to the person: "Don't show me that professional swindle sheet of yours. Resumes bore me."

Or I will say: "Talk to me. But don't bother me with facts and figures. If that's what I wanted, I could read your resume instead of meeting with you."

The discussion is not strictly business. In fact, personal matters, current affairs, and other subjects are introduced. The reason? A free-flowing conversation will bring out a little about the whole person and will also yield crucial bits of information.

In one meeting, although the job under discussion was not political, the candidate mentioned that, in his spare time, he had been active politically. The client, who also had had a political past, liked people who participated in politics. The plus value of a common interest can give a candidate a little edge. In this case, it did.

The informal meeting with the candidate also shows how proficient he is

at communicating. Communication is a two-way street, with good listening outranking good talking. And certainly outranking glibness.

### Dear Harry letter

A useful device for separating the talkers from the doers is the Dear Harry letter. The candidate is asked to write an informal note—not a thank-you letter—in which he comments on what we discussed, suggests additional reasons why he could do what would be required of him, and offers specific ideas on how he would handle the position. Forcing a man to think shows whether he is a thinking man.

The professional headhunter is really an extension of management, an outside consultant who is also very much on the inside. But the beginning of a headhunter-client partnership is not always smooth. During my first meeting with one client, he regaled me with dry data, unrelieved by impressionistic touches which, to the experienced headhunter, are the most important facts. The client kept saying: "I want the best possible person for this job."

I listened politely, which did not es-



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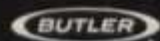
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cape him for long. "Well, what do you want to know?" he asked me.

"What really matters," I replied.

An uncomfortable 15 seconds. Then, a smile. "I mean what I say—I want the best. I am not afraid of footsteps behind me," he said. That day, several years ago, we sealed a partnership which has endured to this day.

### Questions and suggestions

Once such a relationship is established, and the headhunter gains an insight into the organization, he is able to raise questions and to make suggestions. For example, a corporate or trade association executive talks about hiring an additional, seasoned Washington lobbyist. The headhunter counters with the idea that the money would be spent more usefully by increasing the state lobbying team. A publisher thinks about hiring an editor who would be a carbon copy of the just-retired man. The headhunter reminds his client that a different man may be needed to accomplish the new goals of the publisher. Consultant proposes, client disposes, but timid order-takers have no place in the decision-maker's den.

Once the client makes the decision, the headhunter must carry it out—loyally and to the best of his ability. And always, the credit for the successful choice of candidate for a key spot in the organization must go to the man who made the decision, even though he may have arrived at it through careful prompting by the headhunter.

The care and feeding of clients must include the care and feeding of executive self-esteem. That is sometimes impossible, especially in the case of the chief executive officer who cannot understand why the man or woman he has set his sights on does not, for whatever reason, want to work for his organization.

### Resistance to women

It also becomes difficult to develop a good relationship with a client who is against employing women for key jobs. Surprisingly, this type of client is often a young man on the way up.

An executive of a very conservative organization, when asked if women were welcome in his enterprise, replied unhesitatingly: "Yes, by our old chieftains; the younger crowd tries to find reasons not to bring women in."

One example of age welcoming change is the billion-dollar conglomerate which needed a certain financial specialist at headquarters. The leading

candidate was a woman. The treasurer liked her and wanted to hire her but worried about his second-in-command, a crusty veteran, who would be her supervisor.

Before making his decision, the treasurer set up an informal lunch for himself, his assistant, a young male staff member, and me. Immediately afterward, the second-in-command suggested that the woman be hired. The young man said nothing. Not too long after she went to work there, he left the company. I believe that he felt, rightly or wrongly, the woman was a threat to

his own advancement at the company.

A headhunter is a raider, not a saint-in-business. I will cheerfully rob Peter to benefit Paul, if Paul is my client.

I draw the line where my clients are concerned: I do not pirate their people unless they give me the green light. Why would they?

Sometimes they know they cannot keep a high-potential executive simply because they cannot promote him fast enough. Knowing that someone will grab him soon, they let me attempt to find a higher position for him in one

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Are headhunters really necessary? And are they successful? Many things in life are not necessities. But would you like to live without central heating, without supermarkets, without music?

### Salary not all-important

As for success, it cannot be measured in terms of how long a man or woman remains with an organization. Movement is the thing of business in the 1970's: a restless search for work satisfaction, rather than simply more dollars; a yearning for sunny climes, even if the salary is lower than where the snow swirls; a search for new horizons, figuratively but also literally, in Africa... Asia... the Near East.

Typically, an executive who had been hired away from a Houston oil company by an organization in the East, with a sizable increase in salary and a highly visible position, agreed, after only a year, to return to Houston with another oil company—financially, a lateral move. But he and his family wanted to live a "more comfortable life than one can lead in the East."

Headhunters must find the brightest and the brainiest, those who will make a maximum contribution while they are with an organization. They must look for commitment to do the job, not commitment until retirement do us part. They must find the man or woman who will accomplish in two or three years what others might have done in twice that time—and without the same style, daring, and imagination.

### A few mismatches

Failures? Of course. The international lawyer—Ivy League, multiple-degreed—whom I introduced to the general counsel of one of the nation's most powerful organizations. The general counsel hired the lawyer, but I had nagging doubts about their compatibility—a strong, unyielding personality meeting his mirror image. It did not last.

Or, the director of public relations—impressive, imaginative, inventive—whom the chief executive officer regarded as a real find, but who found no favor in the steely eyes of the chairman. His consent had been taken for granted, wrongly. It did not last.

A headhunter must take chances. Headhunting is an adventure in business, and the problem with real-life adventures is that you never know how they are going to end. That's the challenge of headhunting. □



# Self-Improvement Tips for the Company Board

Directors agree that achieving top performance depends on selecting the most competent people

By Arthur M. Weimer

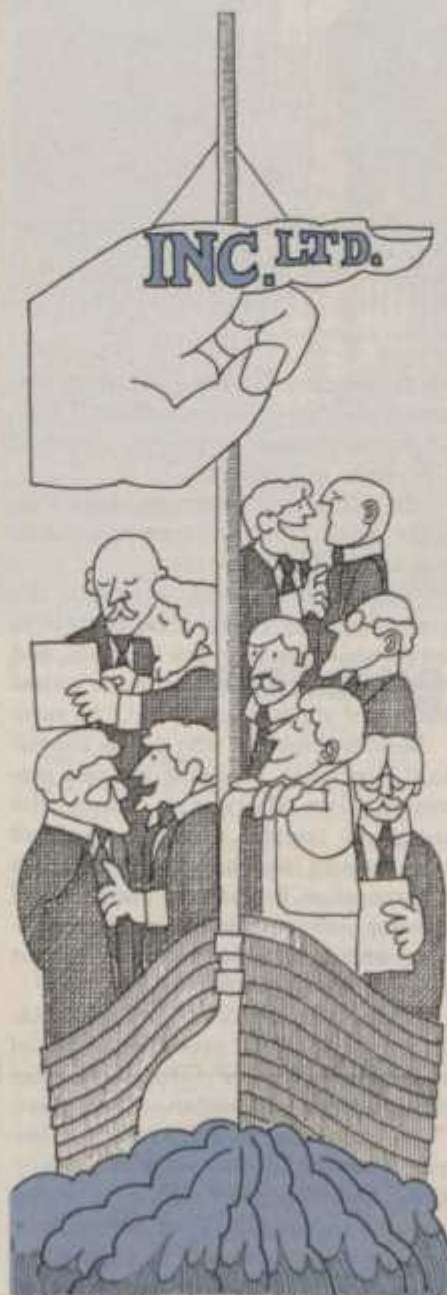
**H**ow to improve the performance of the board of directors is a major question facing many of the nation's 10,000 public companies. It underlies recent headlines such as:

- New York Stock Exchange Orders That Audit Committees Be Established and Include Only Outside Directors.
- Bank Regulators Propose Ban on Interlocking Directorships in Wake of Bert Lance Affair.
- SEC Drafting New Rules on Directors' Pay and Committees.

The question was posed to about 40 experienced directors in a continuing study of business leadership that I am making. The replies centered around two major themes: Companies should refine the selection and orientation of new directors, and they should define and organize the directors' work more carefully.

That sounds simple, but it will take a lot of doing. There is this advantage, however: Improvements can be made by corporations themselves, instead of waiting for solutions imposed through legislation or stricter governmental regulation.

To avoid these "solutions," changes need to be made. Says J. Irwin Miller, a director of the Cummins Engine Co., Inc.: "Directors today no longer simply come for lunch. . . . They must be active, competent men and women who bring important and different points of view to the company, and who will give time and attention to the job."



*The right mix of board directors can mean smooth sailing for a company.*

What is the best way to attract these types of directors? Mr. Miller says that one way not to get them is to rubber-stamp management's nominees. "Management nomination has not proved good enough," he adds.

Officers of several corporations are turning to executive search firms for assistance in identifying potential board members. And general consulting firms, my own included, are being called upon more and more for this sort of advice.

John F. Schlueter, executive director of the Association of Executive Recruiting Consultants, Inc., forecasts that finding competent directors will make up five to ten percent of an average recruiting firm's business within the next decade, compared to about one percent today.

About half of the directors I questioned agreed with The Conference Board study, "Corporate Directorship Practices," that one good way to select potential directors is through a standing committee of the board.

Some companies call it a committee on board organization and membership; others refer to it as the nominating and selection committee.

Regardless of title, the main purpose of such a committee is to establish major criteria for choosing new board members and then to develop lists of potential members—well before appointments need to be made.

Before discussing how to staff a



board, we have to know what the work and the assignments are, says Peter F. Drucker, professor of management at Claremont Graduate School in California. The first item on the agenda is to list the specific responsibilities of the directors and the work needed in order to carry them out.

One way to ensure that the criteria reflect reality rather than a dream world is to look at some of the principal roles directors play.

Karl D. Bays is chairman and chief executive officer of American Hospital Supply Corp. He also serves as chair-

Willis J. Winn, president of the Federal Reserve Bank of Cleveland, believes that a variety of backgrounds is needed on any board. John W. Stadler, chairman of National Permanent Federal Savings and Loan Association, in Washington, D. C., suggests that a board ought to include experts in the corporation's line of business.

Another of the board member's roles is to represent particular constituencies such as major investors or fields of interest such as research and development.

In some cases, mergers set the stage

tors, some board members serve as traditionalists. They are guided by previous experience and well-established policies. They tend to stand pat and typically resist change.

Edmund F. Ball, chairman of the executive committee of the Ball Corp., describes the result of standpat influence: "The most difficult and painful situations I faced had to do with closing down an inefficient plant or discontinuing an unsuccessful item. Facing up to the facts and taking the second-guessing of critics and the people involved were most difficult."

### Conflict-of-interest charges

Some directors believe there is even greater potential for failure through board members who might be accused of conflict of interest. Mr. Winn questions whether the chief executive officer of any company ought to be on the board of another company in the same industry. He believes, however, that board experience for a chief executive officer in an unrelated field could be helpful.

Similarly, some of the people I questioned worry about professional directors—people who spend most of their time serving on boards—who do not have their own separate vocations.

Opinions varied on the failure potential of a board that is filled with outside directors. Most directors in my study favored having two thirds of the board comprised of members from outside the company and one third from inside.

Harold M. Williams, chairman of the Securities and Exchange Commission, prefers only one inside director, the chief executive officer, but I found little support for his position. Most directors want contact with more than a chief executive officer. They find extra inside directors a plus. However, it is generally believed that inside directors should not serve as chairpersons of major committees.

### Growing liabilities

No matter what role they play, some people are cautious about accepting a new appointment to a board of directors because of the growing risks such as lawsuits and a feeling that insurance protection against liabilities is not always adequate today. Some lawyers advise their clients against accepting directorships of public companies.

Mr. Gilbert, of Citizens Savings, says: "I endeavor to follow two precepts. I won't concur in any action



One of the board's functions should be to fire the chief executive officer.

man of a hospital and on the boards of Northern Trust Corp., Standard Oil Co. (Indiana), Jewel Companies, Inc., and International Harvester Co.

He has little use for directors who are appointed merely for show. The basic purpose of a board, he says, is to serve the stockholders. He thinks a director's main job is to evaluate management's performance.

### Special training or experience

Some board members in the firms with which he is connected, and in other corporations, are essentially consultants. They are people with special training or experience important to the board—sometimes inside directors and sometimes outsiders, such as economists, lawyers, engineers, scientists, or marketing experts.

"A serious technical problem that the financial, legal, or organizational member might well ignore would be a red flag to the director with a technical background," says R. Arthur Gaiser, a director of the Ball Corp.

He adds: "However, technicians sometimes may be a little overwhelming; it is not unusual to have enthusiastic, market-oriented managers attempt to rearrange the periodic table of the elements."

for board memberships and representation. Perhaps the most difficult type of representation to ensure is that of the public at large.

Mr. Miller, of Cummins, says that some people think in terms of a public responsibility committee.

"Regardless of what you name the committee, its job may be central to corporate survival in the long run, and it will not succeed in its work unless the board views it as central," he says.

Besides directors who act as consultant, specialist, or public interest representative, there are those who interpret trends, who forecast and plan, or who innovate. They often help a corporation to find new markets and develop new products, a highly valuable and profitable service. Without such people, a board can fail.

It can also fail if it gets off track. Richard G. Gilbert, president and chief executive officer of Citizens Savings Association, of Canton, Ohio, says: "The problems lie chiefly in not getting boards to do the work of a board. Often boards become embroiled in procedures and details. They encroach on management's duties." In such situations, Mr. Gilbert adds, he would resign.

In contrast to the new-idea contribu-



with which I would feel uncomfortable if I saw it on the front page of a newspaper or which I would not readily admit in court. Also, I am very wary of being on a board where candor is not a way of life."

Increasing risks have undoubtedly brought higher compensation for directors, as well as more carefully planned protection. Despite the risks, there appears to be no shortage of potential board candidates as yet.

Many of the directors in my study believe that once board members are chosen, their performance can be improved by a more thorough orientation program. Boards solve this problem in different ways.

Mr. Ball, of the Ball Corp., says: "Attendance at corporate planning sessions is one of the best ways for directors to get real knowledge and insight into the business, its problems, operations, quality of management, and opportunities."

Another system involves assigning a senior officer to introduce new directors to management and to explain the company's programs and interests.

Charles A. Winding, formerly with Marine Midland Banks, Inc., suggests: "The performance of boards would be further improved if there were orientation courses for new directors, designed to give them a working knowledge of the nature, characteristics, and extent of a company's business."

#### What boards should do

Once chosen and oriented, there is no question that board members' performance can be improved by better definition and organization of the board's work. Opinions on what a board should do and how it should work vary from company to company.

Generally, Mr. Drucker suggests, the legally defined responsibilities of directors merely require the board to make sure the company is being managed.

John F. Mee, Mead Johnson professor of management at Indiana University, says that a board of directors should do much more. The board, he says, should:

- Set objectives and give direction to the company.
- Formulate and approve policies and strategies that will enable managers to achieve desired objectives.
- Evaluate company performance in achieving the objectives and policy effectiveness in giving strategic advantage to the company.

- Select, motivate, reinforce, or fire the chief executive officer.

John P. Collett, president of Collett and Co., Inc., of Indianapolis, says: "Directors can be most helpful with respect to capital structure, dividend policy, consideration of new acquisitions, entrance into new areas of operation, tempo of expansion, and abandonment of weak situations. On the contrary, directors cannot be helpful in running the day-to-day business of the company."

Nearly all the directors with whom I have talked agree that a board takes

on added importance when things are not going well, either because of internal or external problems.

Increased use of committees is another way to improve board performance. For example, Mr. Winding says: "Standing committees should be assigned to specific areas of the company's affairs to monitor them on a regular and continuing basis on behalf of the board."

"At committee meetings where presentations are made or reports or other data are reviewed, committee members become better informed and



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are more likely to participate actively in discussing the business at hand than at board meetings which necessarily have to cover a broader range of subjects within a limited time. And other board members are far more comfortable when they know that a committee of their peers has looked into and reported on corporate business upon which they may be asked to take action."

### Differences of opinion

In recent years, there has been increased use of the audit committee. Many companies now have a budget committee, finance committee, executive compensation committee and, in some cases, a planning committee. A few use a corporate responsibility committee. Some companies depend heavily on an executive committee, although there are differences of opinion about how this committee should function.

Robert P. Gwinn, chairman of Sunbeam Corp., says: "Companies differ all over the lot as to the actions of the executive committee. Personally, I feel that major decisions, unless there is an absolute emergency, should be made

by the full board of directors and not by the executive committee."

A widely held view was expressed by Julia M. Walsh, of Julia M. Walsh & Sons, Inc., who says: "Informative and concise management reports are a great help to board members. Also, I like well-organized board meetings with time for careful discussion of basic issues."

Some directors would like more contact with second-echelon management. Mr. Ball says: "It would take time, but there should be a program for directors to meet and discuss problems with different levels of management. Directors would have a better firsthand judgment of overall management."

This would also help directors in planning for management succession, one of the major functions of the board often mentioned by directors in the study.

Some boards are too small to provide a variety of viewpoints or committees, and some are so large they are cumbersome. Most of the directors in the study prefer a board of about 15 members.

To sum up: If you discuss board problems with those on the directors' firing

line, you come up with a report card that a chairman or committee can use—a checklist that will tell a board where it stands now and that can be checked again next year to see what improvements have been made.

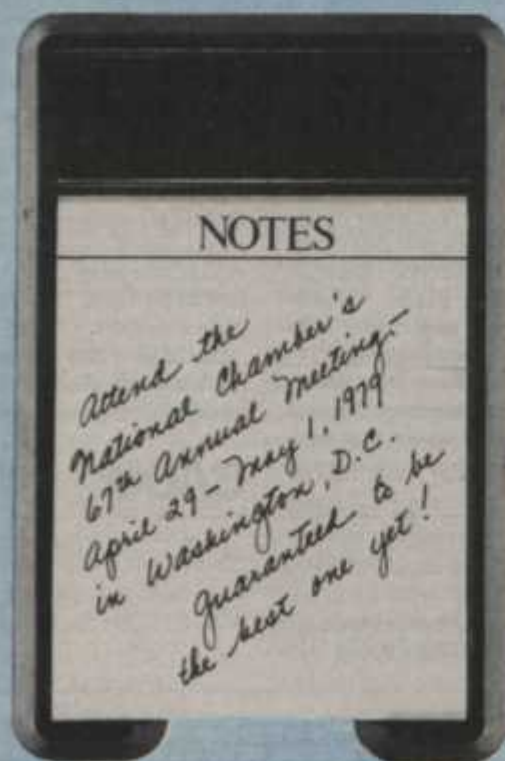
### Freshman orientation

The report card will have to deal with selection of new members, orientation of freshmen on the board, definition of the board's work, and organization of the board to deal with the problems before it.

The key to improving the performance of a corporate board is people. Only the best qualified and most competent individuals can provide the high quality of performance that is needed. □

DR. WEIMER is president of Weimer Business Advisory Service, Inc., special assistant to the president of Indiana University, and former dean of Indiana University Business School. He is a consultant to the U. S. League of Savings Associations and other organizations. He serves on several boards, including the Chamber of Commerce of the United States.

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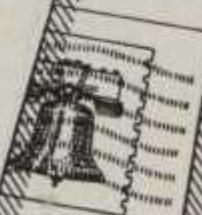
Dear Maryland,

In a country where it is possible to be an individual and to do and say what you wish, the responsibilities created by these freedoms are often more than you can handle. You can throw up your hands in despair, you can resort to any number of cop-outs - or - you can attempt to do something constructive.

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Yours sincerely,  
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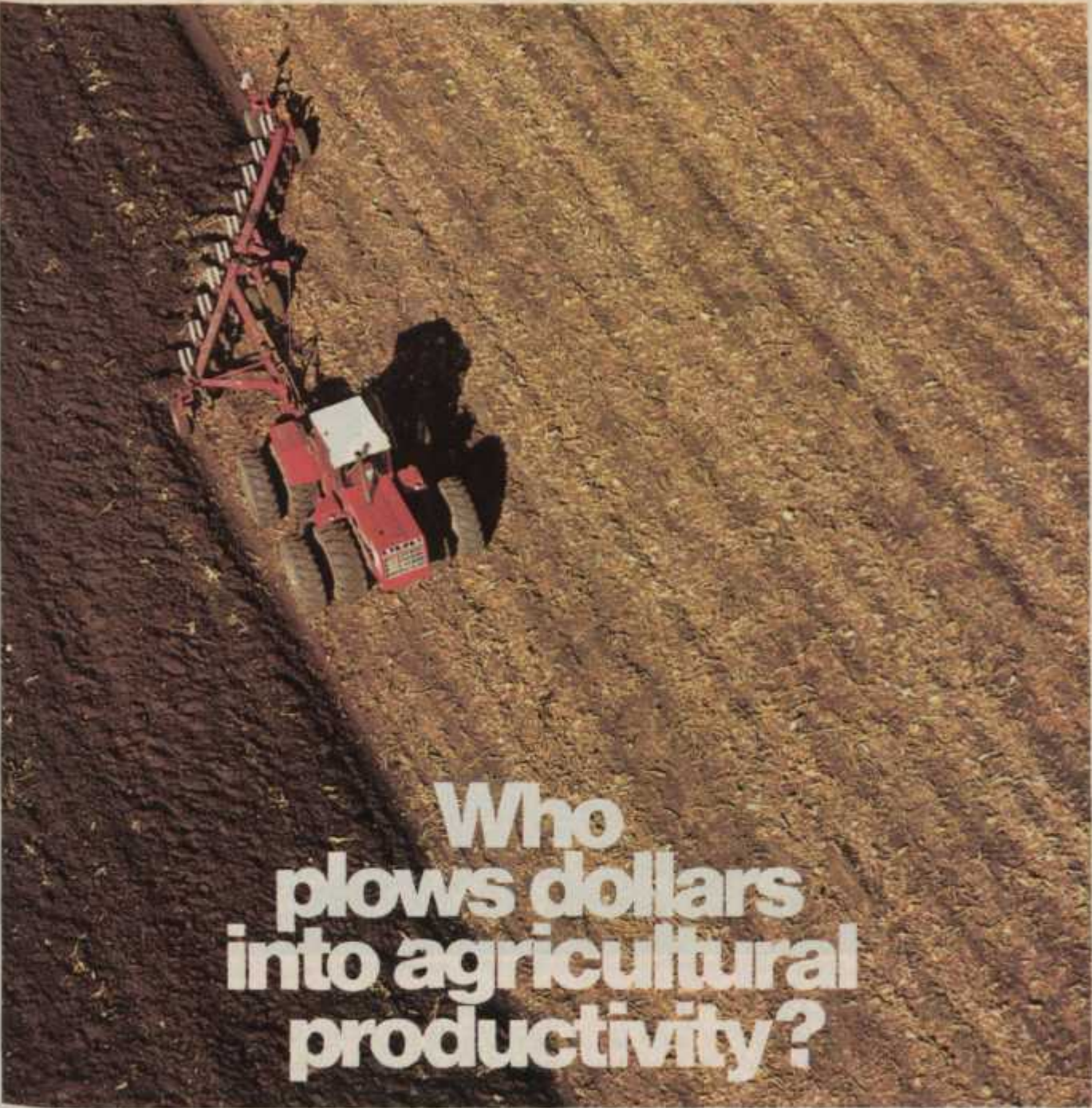


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# The cash register of Nettie's speaks to the computers of Needham.



(Frank Kisten Jr., Vice-President of Nettie's Flower Garden, wreathed in smiles.)

"Contrary to popular belief, life in the flower business is no bed of roses.

"It's a jungle out there.

"And although, as Vice-President of the largest flower business in St. Louis, I'm an expert on the likes of Floridian gladioli, Dutch parrot tulips and South American carnations, what I used to know about media buying did not amount to a hill of beans.

"So, like my competition, I depended on radio, local newspapers and the inevitable neighborhood grapevine.

"But as my business began to branch out from corsages to conventions, bouquets to banquets, I wanted a media buy that would reach more successful businessmen without nipping too far into my advertising budget.

"Then last year, my advertising agency—Harris McKenna Meng—told me about MNI.

"Magazine Networks, they said, is an inexpensive way to buy national upscale magazines in compatible local groups. With networks you can choose demographically,

geographically, even psychographically. In markets as local and diverse as Beverly Hills, Brooklyn, Kansas City and Kalamazoo.

"So in the past year, ads for Nettie's appeared in magazines like Time, Newsweek, U.S. News & World Report, Dun's Review, Nation's Business, Sports Illustrated, Business Week and, of course, Money.

"And our business has grown bigger than ever, while—unfortunately—the flower industry in general has wilted slightly. If there's a smell sweeter than roses, it's success."

If you want to find out more about Magazine Networks and how it can be used for heavy-ups, test-marketing or special promotions, call Mike Durney at (703) 548-6601.

**There's a lesson to be learned  
from a man who buys  
media with his own money.**





# The March Toward Metrics

By John H. Jennrich

Business is leading the way as the nation gradually shifts to a different measuring system

SEVERAL years ago, when singer Glen Campbell was just becoming popular, someone asked him how it felt to become an overnight success.

"Overnight, nothing!" he exclaimed. "I've been working toward this for 15 years."

Some people feel that metrics are coming to the United States overnight. But the international system of weights and measures has been in existence for nearly two centuries. The U. S. Congress approved its use in 1866 and in 1975 launched the nation on a course toward voluntary adoption of metrics with the Metric Conversion Act.

Nearly all of the rest of the world is already metric or substantially metric—in fact, the U. S. is the last industrialized country to adopt the system. Furthermore, daily life for most Americans is surrounded by metrics.

Photographic film? It's 35 millimeter for many still cameras and eight millimeter for popular movie cameras, and it has been that way for years.

Vitamins and other pharmaceuticals? They come in milligrams.

## Dual highway signs

Automobiles? Many have metric parts, and some now are almost all-metric. Many engines are listed by size in liters. Metric-sized tires are readily available, too. And speedometers are going to a dual system of miles per hour and kilometers per hour—handy if you drive in Canada or Mexico, where speed and distance signs are metric, or even in many parts of the U. S., where dual highway signs are being used.

A lot of people know about metrics, and a lot of people are using them.

And if this makes your blood boil, be warned. Blood pressure is measured in millimeters.

So much is happening in industry with metrics that it's hard to keep track. One person who tries is Dr. Malcolm E. O'Hagan, former president of the American National Metric Council in Washington and, since July 1, executive director of the U. S. Metric Board.

The council is a private, industry-supported group whose function is to operate as a clearinghouse for information and to coordinate metric conversions so that the changes within an industry are consistent and as trouble-free as possible. The metric board is the federal government's metrics coordinator.

## Stages of change

There is no question in Dr. O'Hagan's mind that conversion to the metric system will take place in nearly the entire U. S. business world.

But Dr. O'Hagan, who joined the council in 1973 after five years with Bendix Corp., concedes that not all areas of business are at the same stage. While General Motors and IBM are going to be almost entirely metric by 1982, others are far behind. This is particularly true in the area of consumer products, where there is considerable consumer resistance to buying goods measured in metrics.

Among the key factors in moving to metrics are the length of the transition period and whether, during that period, measurements will be given in dual units.

General Motors can afford to take a decade; in fact, it probably could not afford not to. Changes to metrics at

GM—and among other auto makers—occur only when a new product is designed. That keeps the cost down. With this kind of transition, the buyer of a 1978 car, for example, may not know that the engine, new for 1978, has metric measurements and fasteners, but that the alternator, carried over from previous years, is still in the customary measurement system. Fortunately, the buyer probably doesn't care.

## Conversion by law

While other companies in the auto industry also favor a leisurely, gradual change to metrics, the food industry does not.

Dr. O'Hagan says that the food industry wants as short a transition period as possible. He says that two years would be the optimum if first there could be an industrywide commitment.

Not every changeover to metrics is voluntary. Under Treasury Department regulations, all wine must be sold in metric containers by the end of this year. Liquor bottles must be in metric sizes by the end of 1979.

Voluntary changes are taking place in the soft drink industry, which is switching to two, one, and one-half liter bottles. One holdover: cans for both beer and soft drinks. "The industry isn't too keen on the idea of changing," says Dr. O'Hagan.

His philosophy is that the move to metrics should be entirely voluntary and at whatever pace the affected industry chooses. He sees the government role as supporting industry, particularly through public education.

Many others share Dr. O'Hagan's views.

A. Dean Swift, president of Sears, Roebuck, and Co., feels that conversion





Dr. Louis F. Polk (left), chairman of the U. S. Metric Board, and Adrian G. Weaver, chairman of the board's budget committee, work out details of getting the newly appointed board in operation. Proposed 1979 budget is \$1.8 million.

to metrics is only a matter of time, but that timing is important. He was quoted in *NATION'S BUSINESS* last September ["People in Business: A Top Retailer Plans for Metric Conversion"] as saying that Sears plans to go metric "carefully, in stages, and with the least expense, confusion, and aggravation possible." Among the first items to be converted to metrics: appliances aimed at Sears's European market.

#### A decade of work

Roy P. Trowbridge, director of engineering standards at the General Motors Technical Center, has been involved with metrics since the days when, as he puts it, "General Motors was sitting on the fence."

Starting in 1968, Mr. Trowbridge participated in a three-year metric study by a Commerce Department advisory panel which produced a report titled, "A Metric America—A Decision Whose Time Has Come."

Following this report, Mr. Trowbridge says, GM's then-President Edward N. Cole turned the nation's largest automaker toward metrics. Starting early in 1973, GM began designing new products to metric specifications. Mr. Trowbridge says that GM's automobile line today is "well past the 50 percent mark" for metric conversion, with a target date of 1982 for having virtually all auto parts converted to metrics.

Although unable to cite a figure, Mr. Trowbridge reports that "costs have

been minimal." He also says that there does not appear to be a problem with suppliers, "who have developed a metric capability" as GM has progressed.

Oddly enough, Mr. Trowbridge says that personally he has "not been an enthusiast" about conversion to metrics. "The move," he says, "is like taking medicine. It's a sociological upheaval, and people are upset about it. We're taking away their heritage."

But he says the change is necessary. "If we continue to be out of step with other countries," he explains, "there will be economic problems."

John T. Benedict, of Chrysler Corp., agrees with the concept of "evolutionary changeover to metrics," as he calls it. Mr. Benedict is manager of technical information for Chrysler's engineering office, and he expects that by the late 1980's Chrysler cars will be "predominantly metric. We're trying to keep in line with the trend," he says. "We're not trying to force anything."

Like GM's Mr. Trowbridge, he says changeover costs are low because Chrysler follows the "normal cycle of obsolescence" and makes metric changes only with the phasing in of new products.

Not every industry is hopping on the metric bandwagon.

#### Little metrics in menswear

One example is the men's clothing industry. In fact, one retailer says that the international trend is just the op-

posite of what it is in automobiles and some other items.

Ted Jacobs, president of the Ted Louis Shop in Springfield, Va., told *NATION'S BUSINESS* that, increasingly, "foreign manufacturers are using American standards and measurements. They're moving to meet our market. There's a big demand here."

Cheryl Baker, assistant director of governmental affairs for the Menswear Retailers of America, says that "very little is happening" in metrics. She does see change coming, however, "initially as a soft conversion—converting inches to metric equivalents—and then a hard conversion, actually cutting the clothes to metric measurements."

A few changes in menswear are already occurring. One line of Hart, Schaffner & Marx clothes carries dual measurements on the tag, as does one line of Levi Strauss jeans.

#### Opponent cites costs

While industry moves toward metrics at varying paces, others are adamantly opposed to any change at all. Robert F. Wagner, an Indianapolis lawyer, is the founder of a group he calls Metric Rebellion. He claims to have received about 5,000 letters "from people all over the United States" supporting his views.

Mr. Wagner opposes conversion to metrics for two reasons. "First," he says, "is the cost to the taxpayer and the ultimate consumer." He says an estimate that the cost will total \$200 billion "is not at all unrealistic." His second reason for opposition is that conversion "makes it easier for foreign auto makers to dump their products here."

He criticizes metrics as coming "all of a sudden" and says that the move is designed primarily "to make a bigger profit for General Motors and IBM." Opposition to metrics comes from small businessmen ("they're just terrified"), housewives, and "attorneys like me," he says.

#### Educating the public

At the other end of the opinion scale on metrics is another group, the Consumers Union of the United States, Inc. "Conversion to the metric system should be made mandatory," it says, "instead of voluntary."

While the debate goes on, the chief metrics spokesman for the federal government is taking a neutral position. Dr. Louis F. Polk, a former Bendix Corp. vice president and chairman of



the 1968-71 Commerce Department study advisory panel, says: "We have no mandate to promote metrics."

Board members differ on this point, however, and it is clear that the board will be active in educating the public about metrics.

### "An unwieldy process"

The metric board was created by the Metric Conversion Act of 1975, but the 17 presidentially appointed members were not named until this year. When they meet, members receive \$183 per day, comparable to a GS-18 Civil Service scale, plus expenses. They come from various sectors of society, including organized labor, education, state and local government, and several types of business.

It was the achievement of that diversity—the act requires the President to seek appointment recommendations from interest groups throughout the country—plus the change of administrations that delayed the start of the board's operations for more than two years.

Selection was "an unwieldy process," says Dr. O'Hagan, adding that the Carter administration had other appointments with higher priority, such as cabinet members and judges. The board finally held its first meeting in early April.

In order to get started, the board received \$220,000 as a loan from a presidential contingency fund. On June 6, Dr. Polk asked a House appro-

Dr. Malcolm E. O'Hagan, the former metric council president, is now executive director of the metric board.



priations subcommittee for \$365,000 for the rest of fiscal 1978 and \$1.8 million for fiscal 1979, starting Oct. 1. He said the \$365,000 would be used to repay the loan, to hire a start-up staff of 16—Dr. O'Hagan, who heads the staff, is paid an annual salary of \$52,500—and to begin making a study on metric conversion for a report due in one year. Once in full operation, the board's staff will grow to about 35 in fiscal 1979 and more later.

Adrian G. (Scoop) Weaver of IBM, chairman of the metric board's budget committee, also appeared at the appropriations hearing and said there is a "substantial need to contract for survey and public relations work."

### Government mistake

There is definitely a need for the metric board and its coordinating function. The Federal Highway Administration last year tried unilaterally to require conversion of highway signs to metrics. After it published the proposed schedule for change in the "Federal Register," it received 5,000 letters, 98 percent of which objected.

One letter referred to "your lunatic plan" and said: "This is going to come as a colossal revelation to you screwball government bureaucrats, but the public doesn't want or need—and in this case isn't going to accept—the kind of insanity you people want to force on us."

Even Dr. O'Hagan, who is given to considerably more tact, winces when the proposal is mentioned. He says it was "ill-conceived and untimely. The fact that it generated the response that it did was not unexpected."

He says that the highway agency did not consult with anyone, especially the states, which would have to put up the signs, and that it did not provide enough lead time for conversion. Dr. O'Hagan notes that Canada, which converted to metric highway signs last year, announced the plan five years in advance.

The U.S. plan was announced on April 27, 1977, and was to begin taking effect on July 1, 1978, with completion of speed sign conversion 18 months later.

It was withdrawn in June, 1977.

### Highways on hold

"Some guy went off half-cocked," says Dr. O'Hagan, complaining that the proposal gave the bad impression that the government was trying to force metrics. He says this would be inconsistent with the metric law,

which calls for broad consultation and planning. He also says that abrupt withdrawal of the plan gave the erroneous impression that the government was backing off from metrics.

The experience certainly brought the highway administration to a halt. Robert E. Conner, chief of the traffic control systems division in the office of traffic operations, says that "everything is on hold" until the metric board gets moving, which, he says, will take at least six months. Even then, Mr. Conner says, the highway administration will wait for a request from the metric board. "We won't initiate anything," he says.

One governmental unit that does plan to initiate action that will affect the public is the National Weather Service. Dr. Duane Cooley, chief of the technical procedures branch, says the weather service plans to ask the metric board to approve a plan that would convert all weather information to metrics within the year starting on June 1, 1979.

Other federal agencies have metric policies, some of which are not highly visible to the general public. Two in particular are making changes that may be of interest to business.

### New designs in metrics

The Defense Department is going to metrics in some of its new designs, and the Small Business Administration is developing a computerized file of firms interested in getting government contracts.

SBA's file, called the Procurement Automated Source System, is expected to be fully operational by April, 1982. One subset in the file will include companies with metric products and services.

Many people are unhappy about the changeover to the new system because they are afraid they won't be able to take metrics' measure. They are baffled by meters and milligrams and utterly undone by kilopascals. But experts say the system is so logical—it is a base-ten system, like that used for our money—that it really is not difficult to learn.

And consider the alternatives. How many more generations must be subjected to fathoms, rods, furlongs, acres, pecks, ounces (troy), ounces (apothecaries), ounces (liquid), tons (short), tons (long), barrels (water), barrels (oil), and barrels (beer)?

Advocates of the metric system say it has the old system beaten by a ... well, by a long shot. □



## Making the Disco Scene Is a Money-Maker

Michael G. O'Harro throws a party every night. The guest list is somewhat exclusive, and it's strictly a bring-your-own-money affair.

Mr. O'Harro, who is generally credited with starting the swinging singles craze of the 1960's, today runs Tramp's, a delightfully elegant saloon found within Billy Martin's Carriage House, which is a similarly elegant restaurant in Washington, D.C.

Tramp's is by nature a discotheque, but there are no flashing lights and shattering sound. The nonstop music—upbeat and trendy, but never punk rock—is pitched a few decibels below conversation-stopping level. The waitresses are gracious and welcoming; and the ambience is that of an old private mansion, tastefully designed in muted mahogany, wall candelabra, marble fireplace, antique copper bar, and original prints on the walls. The sort of place where the "in" crowd and those who would like to be "in" collect.

"We cater to the kind of people who like to dress up, go out, and have a good time," says Mr. O'Harro. "This is not the place for leisure-suited conventioners on the prowl. Nor do we welcome hippies, motorcycle toughs, or street people. Tramp's is a clubby, intimate place where, in order to have fun, you have to fit in, you have to have class."

That touch of class results in roughly \$14,000 worth of business a week, which adds up to more than \$700,000 a year and a tidy income for Mr. O'Harro. "We are operating on a 45 percent net. There are 10,000 discos using various themes throughout the country," he says, "and the industry did \$4 billion in revenues last year."

Mr. O'Harro's first business venture began as something of a joke. When he was a junior naval officer in Washington in the 1960's, he naturally wanted to meet girls. So he started throwing parties in a house he had rented with several other young men. The parties became a club, called the Junior Officers' Professional Association. That was in 1964.

By 1968, the "joke" had become a



Michael O'Harro has as much fun at Tramp's, the discotheque he manages in Washington, as any of his customers. "I'm there every night," he says.

franchise in 18 cities. Mr. O'Harro was marketing the name and party ideas, and membership totaled close to a quarter of a million singles.

Then he opened a singles bar and moved into computer dating and holiday travel, "everything for singles," he says.

All good fads come to finality, and by 1970, singles bars were on the wane. "My business—I had six singles bars—was prospering, but the whole industry was becoming tacky, the singles scene had become a hassle, so I sold out and went to Europe."

It was there that Mr. O'Harro discovered disco, an earlier version of which had been a short-lived experiment in America. "But discotheque in Europe was a revival of chic," says Mr. O'Harro. "When I returned to Los Angeles, which is my home, I started throwing disco parties and then opened a disco club. Well, before I knew it, people were calling me; suddenly, I was the national authority." And then Billy Martin decided to take the disco plunge, turning the dearly beloved but slightly dilapidated Rayburn Room of the Carriage House into Tramp's.

"The disco helped the Carriage House to become a total evening of entertainment. You can come here to dine, spend some time at the piano bar, play some backgammon, and then dance."

Mr. O'Harro is now promoting Tramp's franchises, at \$15,000 a gamble plus five percent of the gross, in such diverse

places as Mexico City, New Orleans, and Wichita, Kans. Is Wichita really ready for this?

"Don't kid yourself," says Mr. O'Harro. "It's the biggest city in the state. Farmers are taking off their overalls and putting on platform shoes and white jump suits and hustling and bumping [for the uninitiated, two of the more recent dance steps] all over the country. Even in rural areas, people will drive 50 or 60 miles to go to their nearest disco."

Why? "It's fun," says Mr. O'Harro. "It's like being at a private party, where you may not know everyone or anyone, but you do know they are your kind of people. The people who come here feel that they are part of the scene. And they are." •

## Weight Watchers: Think Thin and Grow Fat

Albert Lippert used to be fat. His wife, Felice, was fat, too. So were their friends, Marty and Jean Nidetch. All that fat was the foundation for Weight Watchers International, Inc., which was born in Mr. Lippert's home at Baldwin Harbor, N.Y., in 1963.

Since then, the four fat people have become thin, and Weight Watchers, now



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Take the "A" Train (Duke Ellington Band)  
They Say It's Wonderful (Frank Sinatra)  
More Than You Know (Lena Horne)  
When the Saints (Louis Armstrong)  
Tangerine (J. Dorsey Orch.)  
Pennsylvania 6-5000 (Glenn Miller Orch.)  
Strings of Pearls (Glenn Miller Orch.)  
I'm Getting Sentimental Over You (Mel Torme)  
Lady Be Good (Count Basie and the Orch.)  
When You Were Sweet Sixteen (The Ink Spots)  
Music Makers (The Harry James Orch.)  
The Last Time I Saw Paris (Johnny Desmond)  
Garden in the Rain (The Sportsmen)  
I'll Be Seeing You (Kate Smith)  
Let's Get Away From It All (Tommy Dorsey)  
Sunrise Serenade (Glenn Miller Orch.)

### SOUNDSTAGE V SONGS (ARTIST)

Velvet Moon (Harry James Orch.)  
I Wonder Why (Bing Crosby/Judy Garland)  
I Had the Craziest Dream (Harry James)  
Ain't Misbehavin' (Fats Waller)  
A Slow Boat to China (Dick Haymes)  
I'll Be Around (Anita Ray)  
Touche Junction (Glenn Miller Orch.)  
Song of India (Tommy Dorsey Orch.)  
Blue Skies (The Sportsmen)  
Habanera (Glenn Miller Orch.)  
Perfidia (Billy Daniels)  
If I Had You (Benny Goodman Orch.)  
Red Sails in the Sunset (Sportsmen)  
Swing Low (Tommy Dorsey Orch.)  
People Will Say We're in Love (Kate Smith)  
Rock-a-Bye Basie (Count Basie Orch.)

### SOUNDSTAGE IX SONGS (ARTIST)

I Found A New Baby (Benny Goodman Orch.)  
I've Got My Love To Keep Me Warm (Les Brown)  
I'll Never Smile Again (Tommy Dorsey Orch.)  
Let's Put Out the Lights (Shep Fields Orch.)  
I Can't Believe That You're in Love (Mel Torme)  
After You've Gone (Benny Goodman Orch.)  
Blue Champagne (Glenn Miller Orch.)  
Starfish (Al Goodman Orch.)  
Sleepy Time Gal (Harry James Orch.)  
Hold Tight (Andrew Sisters)  
Tenderly (Kate Smith)  
I Can't Get Started (Johnny Desmond)  
Polka Dots and Moonbeams (Frank Sinatra)  
Claire De Lune (Glenn Miller Orch.)  
This Time the Dream's on Me (Dick Haymes)  
Chasing Rainbows (Lawrence Welk Orch.)

### SOUNDSTAGE II SONGS (ARTIST)

These Foolish Things (Ted Weems)  
I've Heard That Song Before (Harry James)  
A Ticket, A Ticket (Ellie Fitzgerald)  
It's the Talk of the Town (Johnny Desmond)  
I Surrender Dear (Mel Torme)  
Blueberry Hill (Louis Armstrong)  
Green Eyes (Tommy Dorsey Orch.)  
Happy Night Song (Glenn Miller Orch.)  
Boogie Woogie (Tommy Dorsey Orch.)  
To Each His Own (Ink Spots)  
In the Mood (Glenn Miller Orch.)  
Yankee Doodle Boy (Norman Bracks Orch.)  
Moonlight Serenade (Glenn Miller Orch.)  
Sing, Sing, Sing (Benny Goodman Orch.)  
Frankie & Johnny (Lena Horne)  
You Made Me Love You (Judy Garland)

### SOUNDSTAGE VI SONGS (ARTIST)

You Do Something to Me (Frank Sinatra)  
Kalamazoo (Glenn Miller Orch.)  
All of You (Johnny Desmond)  
Me and My Shadow (Shep Fields Orch.)  
Music Makers Please (Tommy Dorsey Orch.)  
All or Nothing at All (Billy Daniels)  
Oh, Look at Me Now (Dick Haymes)  
At Last (Glenn Miller Orch.)  
Coffee Time (Les Brown Orch.)  
But Not Like You (Benny Goodman Orch.)  
Sunday Kind of Love (Anita Ray)  
April in Portugal (Ted Heath Orch.)  
I've Got the Sun in the Morning (Bing Crosby)  
This Love of Mine (Tommy Dorsey Orch.)  
Linger Awhile (Shep Fields Orch.)  
The Man With a Horn (Harry James Orch.)

### SOUNDSTAGE X SONGS (ARTIST)

Ten O'clock Jump (Count Basie Orch.)  
There Must Be A Way (Shep Fields Orch.)  
Anvil (Glenn Miller Orch.)  
I Can't Give You Anything (Mel Torme)  
Who's Sorry Now (Kate Smith)  
I Don't Want to Walk (Anita Ray)  
Sunny Side of the Street (Tommy Dorsey)  
Come Rain or Come Shine (Kate Smith)  
Sleepy Layman (Harry James)  
Drigo's Serenade (Glenn Miller Orch.)  
There's a Small Hotel (Johnny Desmond)  
Don't Be That Way (Benny Goodman)  
Champagne Waltz (Lawrence Welk Orch.)  
Once in A While (Tommy Dorsey Orch.)  
Begin the Beguine (Al Goodman Orch.)  
Why Was I Born (Frank Sinatra)

### SOUNDSTAGE III SONGS (ARTIST)

You'd Be So Nice to Come Home To (Kate Smith)  
Got a Pebble in My Shoe (Ellie Fitzgerald)  
Don't Get Around Much (Duke Ellington)  
I've Got a Crush on You (Frank Sinatra)  
This Can't Be Love (Johnny Desmond)  
Somewhere Over the Rainbow (Judy Garland)  
Don't Fence Me In (Shep Fields Orch.)  
Moonlight Cocktail (Glenn Miller Orch.)  
So Rare (Jimmy Dorsey Orch.)  
Bugle Call Rag (Benny Goodman Orch.)  
If I Didn't Care (Ink Spots)  
Twilight Time (Les Brown Orch.)  
Heartaches (Ted Weems)  
Taking a Chance on Love (Tommy Dorsey)  
Red, Red Robin (Sportsmen)  
I'm Getting Sentimental (Tommy Dorsey)

### SOUNDSTAGE VII SONGS (ARTIST)

Say It Isn't So (Ted Weems)  
Rock-a-Bye Your Baby (Judy Garland)  
Chattanooga Choo Choo (Glenn Miller Orch.)  
Maria Lena (Tommy Dorsey Orch.)  
April in Paris (Count Basie Orch.)  
The Poor People of Paris (Lawrence Welk)  
Don't Worry 'Bout Me (Mel Torme)  
Poor Butterfly (Benny Goodman Orch.)  
Marie (Tommy Dorsey Orch.)  
Jale of Capri (Shep Fields Orch.)  
Sentimental Journey (Les Brown Orch.)  
American Patrol (Glenn Miller Orch.)  
Peanut Vendor (Stan Kenton Orch.)  
Just You, Just Me (Frank Sinatra)  
My Heart Stood Still (Dick Haymes)  
Frenesi (Al Goodman Orch.)

### SOUNDSTAGE IV SONGS (ARTIST)

Ghost of a Chance (Mel Torme)  
When I Take My Sugar (Shep Fields Orch.)  
Side by Side (Kate Smith)  
Harbor Lights (Shep Fields Orch.)  
Woodchoppers Ball (Woody Herman Band)  
Swanee River (Tommy Dorsey Orch.)  
Best Things in Life Are Free (Frank Sinatra)  
Elmer's Tune (Lawrence Welk Orch.)  
Cuddle Up A Little Closer (Ink Spots)  
Flat Foot Boogie (Louis Armstrong)  
Little Brown Jug (Glenn Miller Orch.)  
That Old Devil Moon (Johnny Desmond)  
Somebody's Taking My Place (Ted Weems)  
Sophisticated Lady (Duke Ellington Orch.)  
Wish You Were Here (Judy Garland)  
Don't Squeeze Me (Lena Horne)

### SOUNDSTAGE VIII SONGS (ARTIST)

Serenade in Blue (Glenn Miller Orch.)  
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Albert Lippert shed 40 pounds back in the early 1960's and hasn't gained any back. "We live in a society that is built around food," he says.

based in Manhasset, N. Y., has proliferated on a global scale, with franchises granted to instructors in weight reduction in Canada, Mexico, throughout western Europe and the Far East, in Australia, South Africa, and Israel, as well as all over the United States.

Mr. Lippert, who lost 40 pounds and gained perfect health, is president of Weight Watchers and chairman of the board of directors. He is also the man behind Jean Nidetch, who, in most people's minds, is Weight Watchers.

"Jean has always been our image," says Mr. Lippert. "She is our founder, a woman who lost 72 pounds. The business was formed around her, around her ability to help people not only to lose weight but also to keep it off."

"However, this business is like any other. It has to be administered. Somebody has to implement policy, make decisions, expand operations, watch the books."

While amassing a pile of Weight Watchers franchises, Mr. Lippert has also taken the company into the restaurant business—one in New York and two in Toronto; into the food industry, with frozen dinners and desserts, dairy products, and snacks; into publishing, with two cookbooks and a monthly magazine—circulation, 800,000—so far, and into recreation, with four summer camps for overweight children.

In addition, Mr. Lippert has helped Weight Watchers shed its "fat club" aura. "Nutrition is the key word today," says Mr. Lippert.

"Weight Watchers represents an eat-

ing regimen that will not only help a person to lose excess weight but also reform a person's eating habits; the aim is to learn how and what to eat to maintain good health.

"People are much more aware of the rewards of being healthy. They know that obesity, even ten pounds of excess weight, strains the body's functions and slows a person down. That's what Weight Watchers is all about—living longer, healthier, happier lives."

What about the claims that you can lose ten pounds in three days? Or the advertisement that says: "Eat as much as you want and still lose weight?"

**Says Mr. Lippert: "Fad diets are a temporary delusion. Sure you lose ten pounds, but it's bloat loss, not true weight loss. You gain it right back. Most weight is not put on in a week or two. Obesity results from overeating over a period of time. It takes a similar length of time to pare away those ounces of flesh."**

The Weight Watchers program is not a mathematical maze of calorie counting that allows the dieter to substitute a milkshake for three pieces of fruit. Rather, the program is a balanced menu that includes precise portions from the basic food groups—fruits, vegetables, dairy products, meats, fish, and poultry. There is an enormous amount to eat—three full meals a day plus snacks—and all the food must be eaten, says Mr. Lippert, because the various proteins, carbohydrates, and minerals interact with each other in burning up fat.

Even more essential than the full

menu is motivation. Like an alcoholic, the fat person must first admit that he or she has a problem and must want to do something about it.

"We live in a society that is built around food," says Mr. Lippert. "Just think, there is hardly one social, business, or family occasion that does not involve food. Weight Watchers teaches fat people how to cope with this constant temptation."

And, says Mr. Lippert, 99 percent of those people who blame their fat on their glands are simply rationalizing. "They eat too much," he says. "They are digging their own graves with their forks."

The 12,000 weekly classes held around the world in various languages encourage and teach Weight Watchers members to think and become thin. There is an initial registration fee of \$3 to \$8 and a weekly class fee of \$2 to \$4. But there is no contract to sign, no weigh-in in public, no penalties for putting on poundage. Instead, members learn how to change their eating behavior, how to modify their attitudes toward food.

"For example," says Mr. Lippert, "an overweight person should eat off a seven-inch dinner plate, not a ten-inch one. Why? The same portion looks twice as big on the smaller plate, and the satiety level is reached more quickly."

"Another trick is to have the knife and fork wrapped up in the napkin. That way the dieter has to stop for a few seconds and unwrap the utensils. That pause prevents the compulsive eater from diving right in."

From its first class, in a rented loft atop a movie theater, Weight Watchers has increased its girth steadily, despite a slim year following the 1974-75 recession. Net income in fiscal 1977 was \$3.7 million on revenues of \$39.2 million, up 40 percent over fiscal 1976. A similar growth is projected for fiscal 1978.

There are thousands of other weight reduction organizations, says Mr. Lippert, "but I would guess a lot of them once worked for us. This is a service business—there is little investment in bricks and mortar."

"However, we have grown so rapidly, and advanced into related fields to provide our members with a lifetime health plan, that we have left most of our competition behind."

Will Al Lippert ever be fat again? "I have gone so many years without regaining that weight," he says. "I like the way I look, I love working with Weight Watchers, I enjoy life. It's simple, really. Fat people are not happy."



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## MISSING

Don't be among the missing at the National Chamber's 67th Annual Meeting—April 29-May 1, 1979, in Washington, D. C. This promises to be the best one yet. So, put it on your calendar NOW!



# Dual Action to Curb Inflation

**I**T IS TIME for the Carter administration and Congress to face reality and do something now about inflation.

The sensible solution is pretty straightforward—cut taxes to encourage business expansion and increase workers' take-home pay. At the same time, reduce the growth in government spending. Halfway measures such as inadequate tax relief and continued federal spending growth are not going to solve the problem. Giving \$16 billion in tax relief when \$25 to \$30 billion is needed is a prime example.

Two actions are needed—and soon. A lot of advice has been handed out on just who should benefit from tax relief. Unfortunately, equal attention hasn't been given to holding down the growth of government spending; the two must go together if the rate of inflation is to be cut.

Tax relief will mean a larger federal deficit initially. Unless restrained, Washington has two options in paying its bills. First, borrow the money from the public to cover the deficit. This is self-defeating because the federal government would be competing with the private sector for those very funds released by tax reduction for the purpose of business expansion and increased productivity.

The alternative is to have the banking system buy this new debt. This is the equivalent of turning up the speed control on the money-printing presses, and that, of course, means even more inflation.

The Chamber of Commerce of the United States has proposed a sensible solution to the problem of government spending—limit the growth of expenditures to provide for past and

present commitments. This would not require any cuts in benefits, but it would mean no new programs without cutbacks in present ones.

Congress has given itself a mandate to plan for the future. In passing the Budget and Impoundment Control Act of 1974, Congress bound itself to fashion a realistic plan for setting taxes, spending, deficit, and the size of the national debt. It is time now for Congress to produce such a projection. This blueprint is needed to control the growth in government spending, enact necessary tax relief, and reduce the deficit and growth of the national debt.

The National Chamber has recommended that Congress take five actions that would reduce inflation by at least one half of one percent annually until price stability is achieved. This is a reasonable overall objective. The Chamber's recommendations deserve repeating:

- Slow the growth of taxes to much less than the growth of personal income.
- Slow the growth of government spending to about the rate of inflation.
- Reduce the size of the federal deficit to balance the budget by 1982, and then maintain a balanced budget with high levels of employment.
- Encourage job-creating, productivity-increasing, capacity-expanding, and inflation-dampening investment.
- Reduce federal taxes and spending from 22 percent to 19 percent of the Gross National Product within five years.

Congress should follow this advice. □

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